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100th Congress, 1st Session

H. Rept. No. 100-433

S. Rept. No. 100-216

Report of the Congressional Committees Investigating the

Iran-Contra Affair

Appendix B: Volume 11

Depositions

Lee H. Hamilton, *Chairman*,
House Select Committee
Daniel K. Inouye, *Chairman*,
Senate Select Committee

U.S. House of Representatives
Select Committee to Investigate
Covert Arms Transactions with Iran

U.S. Senate Select Committee
On Secret Military Assistance to Iran
And the Nicaraguan Opposition

November 13, 1987.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed.
November 17, 1987.—Ordered to be printed.

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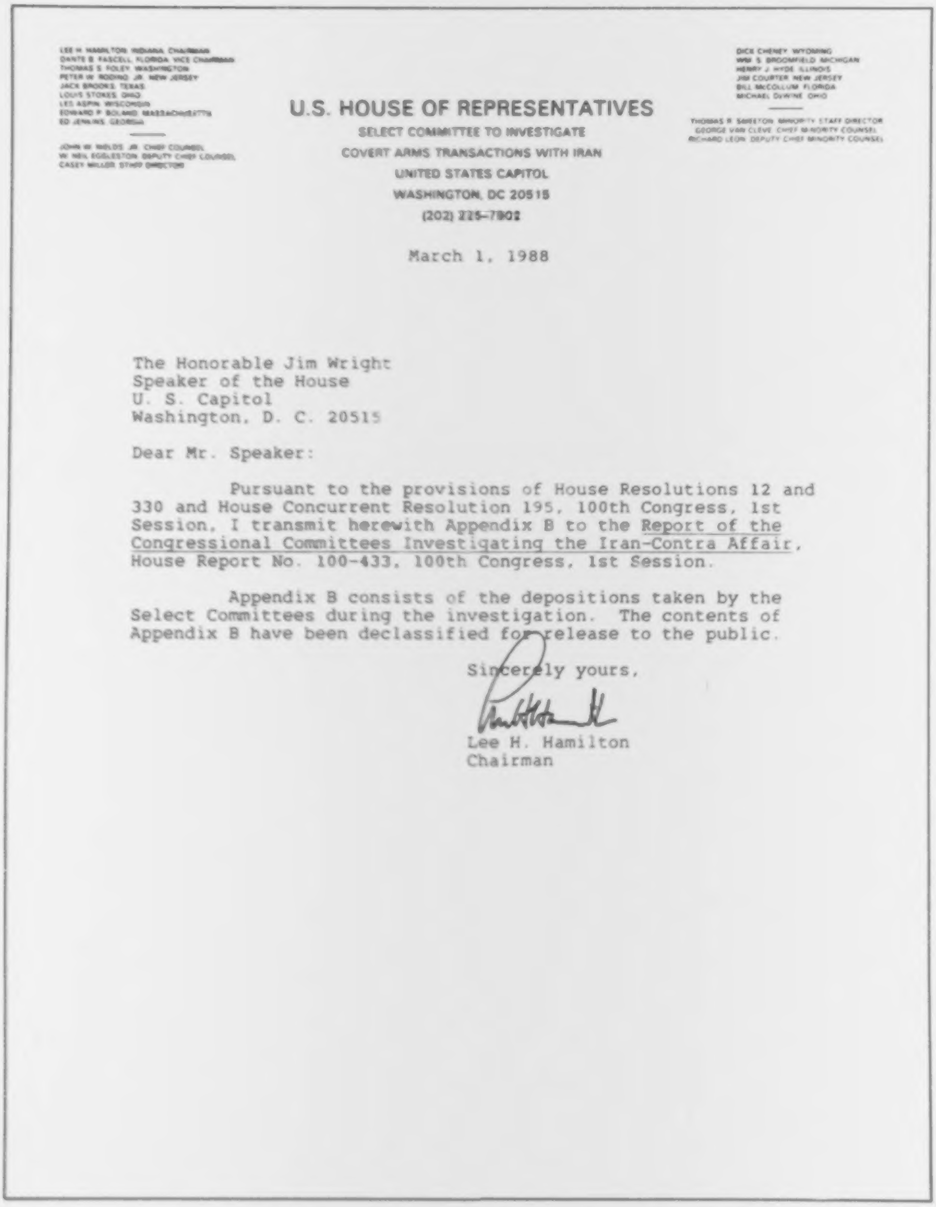

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March 1, 1988

The Honorable Jim Wright
Speaker of the House
U. S. Capitol
Washington, D. C. 20515

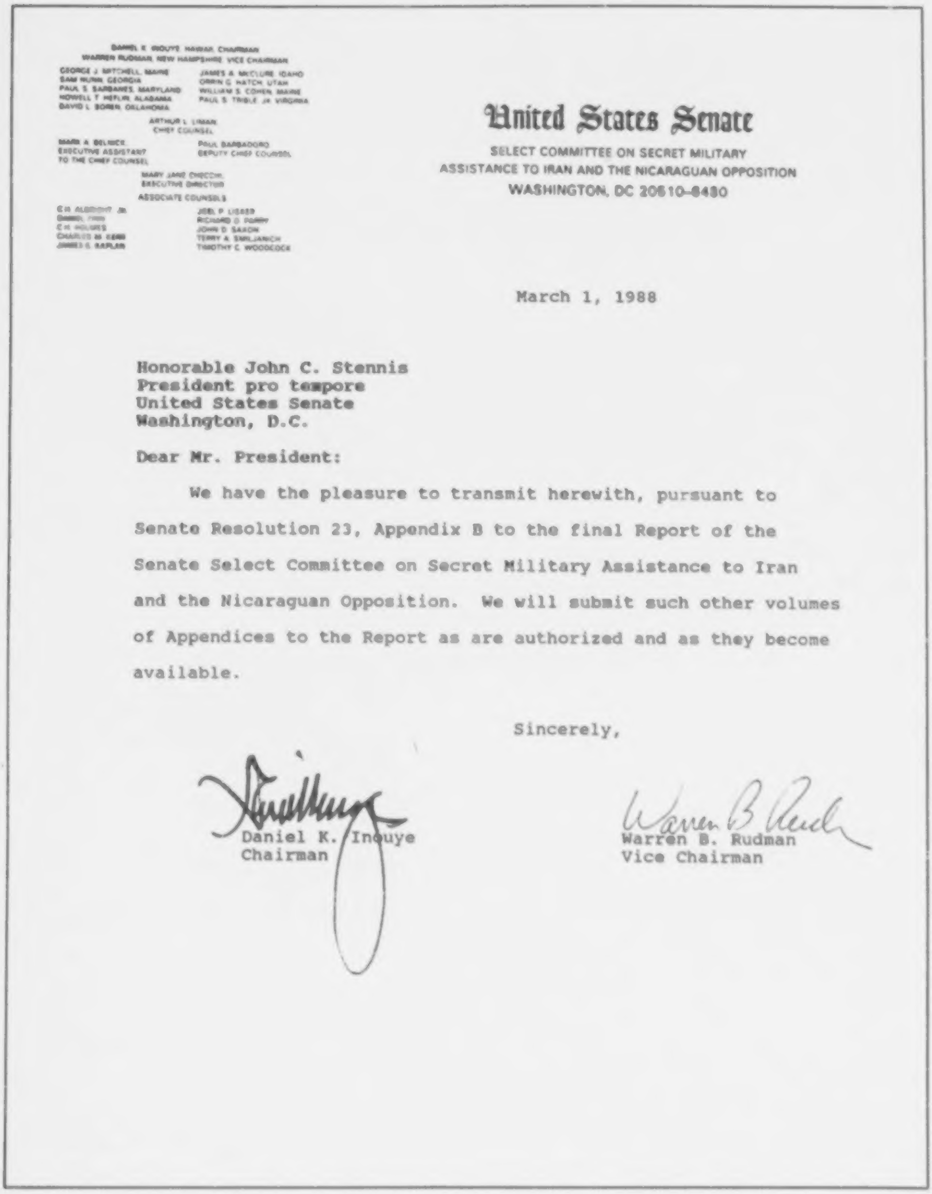
Dear Mr. Speaker:

Pursuant to the provisions of House Resolutions 12 and 330 and House Concurrent Resolution 195, 100th Congress, 1st Session, I transmit herewith Appendix B to the Report of the Congressional Committees Investigating the Iran-Contra Affair, House Report No. 100-433, 100th Congress, 1st Session.

Appendix B consists of the depositions taken by the Select Committees during the investigation. The contents of Appendix B have been declassified for release to the public.

Sincerely yours,

Lee H. Hamilton
Chairman



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United States Senate
SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
WASHINGTON, DC 20510-6480

March 1, 1988

Honorable John C. Stennis
President pro tempore
United States Senate
Washington, D.C.

Dear Mr. President:

We have the pleasure to transmit herewith, pursuant to Senate Resolution 23, Appendix B to the final Report of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. We will submit such other volumes of Appendices to the Report as are authorized and as they become available.

Sincerely,

Daniel K. Inouye
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Warren B. Rudman
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Preface

The House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, under authority contained in the resolutions establishing them (H. Res. 12 and S. Res. 23, respectively), deposed approximately 290 individuals over the course of their 10-month joint investigation.

The use of depositions enabled the Select Committees to take sworn responses to specific interrogatories, and thereby to obtain information under oath for the written record and develop lines of inquiry for the public hearings.

Select Committees Members and staff counsel, including House minority counsel, determined who would be deposed, then sought subpoenas from the Chairmen of the Select Committees, when appropriate, to compel the individuals to appear in nonpublic sessions for questioning under oath. Many deponents received separate subpoenas ordering them to produce certain written documents.

Members and staff traveled throughout the United States and abroad to meet with deponents. All depositions were stenographically reported or tape-recorded and later transcribed and duly authenticated. Deponents had the right to review their statements after transcription and to suggest factual and technical corrections to the Select Committees.

At the depositions, deponents could assert their fifth amendment privilege to avoid self-incrimination by refusing to answer specific questions. They were also entitled to legal representation. Most Federal Government deponents were represented by lawyers from their agency; the majority of private individuals retained their own counsel.

The Select Committees, after obtaining the requisite court orders, granted limited or "use" immunity to about 20 deponents. Such immunity means that, while a deposed individual could no longer invoke the fifth amendment to avoid answering a question, his or her compelled responses—or leads or collateral evidence based on those responses—could not be used in any subsequent criminal prosecution of that individual, except a prosecution for perjury, giving a false statement, or otherwise failing to comply with the court order.

An executive branch Declassification Committee, located in the White House, assisted the Committee by reviewing each page of deposition transcript and some exhibits and identifying classified matter relating to national security. Some depositions were not reviewed or could not be declassified for security reasons.

In addition, members of the House Select Committee staff corrected obvious typographical errors by hand and deleted personal and proprietary information not considered germane to the investigation.

In these *Depositions* volumes, some of the deposition transcripts are followed by exhibits. The exhibits—documentary evidence—were developed by Select Committees' staff in the course of the Select Committees' investigation or were provided by the deponent in response to a subpoena. In some cases, where the number of exhibits was very large, the House Select Committee staff chose for inclusion in the *Depositions* volumes selected documents. All of the original exhibits are stored with the rest of the Select Committees' documents with the National Archives and Records Administration and are available for public inspection subject to the respective rules of the House and Senate.

The 27 volumes of the *Depositions* appendix, totalling more than 30,000 pages, consist of photocopies of declassified, hand-corrected typewritten transcripts and declassified exhibits. Deponents appear in alphabetical order.

Publications of the House and Senate Select Committees

Report of the Congressional Committees Investigating the Iran-Contra Affair, 1 volume, 1987.

Appendix A: *Source Documents,* 2 volumes, 1988.
Appendix B: *Depositions,* 27 volumes, 1988.
Appendix C: *Chronology of Events,* 1 volume, 1988.

All publications of the Select Committees are available from the U.S. Government Printing Office.

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UNITED STATES SENATE

SELECT COMMITTEE ON
SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF ROY FURMARK

Washington, D. C.
Wednesday, July 22, 1987

Deposition of ROY FURMARK, called for examination at the offices of the Senate Select Committee, Suite 901, the Hart Senate Office Building, at 10:00 a.m. before KATHIE S. WELLER, a Notary Public within and for the District of Columbia, when were present on behalf of the respective parties:

CHARLES KERR, ESQ.
Associate Counsel
RICHARD PARRY, ESQ.
Associate Counsel
United States Senate
Select Committee on
Secret Military Assistance
to Iran and the Nicaraguan
Opposition.

ROBERT W. GENZMAN, ESQ.
Associate Minority Counsel
United States House of
Representatives Select
Committee to Investigate
Covert Arms Transactions
with Iran.

DIANE DORNAN, Professional Staff
U.S. House of Representatives
Permanent Select Committee on Intelligence.

4021

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under provisions of E.O.
by D. Sirko, National Security

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Roy Furmark by Mr. Kerr	3

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P R O C E E D I N G S

Whereupon,

ROY FURMARK

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. KERR:

Q State your name for the record, please.

A Roy M. Furmark.

Q Where do you live?

A 200 Hicks Street Brooklyn, New York 11201.

Q I will start with some background information. Could you describe your educational background?

A Graduate of the New York City public schools. Graduated Pace University in June of '57.

Q And what degree did you take at Pace?

A A bachelor of business administration with an accountancy practice.

Q Do you have any higher education past the bachelor's degree?

A No, other than I passed the New York state certified public accountant's certification and am a CPA in

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the state of New York.

Q Are you certified in any other state?

A No.

Q When did you become a CPA in New York?

A I think 1964. I'm not sure. Around that, around '64.

Q And you still are a CPA in good standing?

A Yes, I am.

Q By whom are you employed at the present time?

A I'm basically in my own business.

Q You tend to operate in a corporate mode, as I recollect.

A Yes.

Q What's the name of your corporation?

A The Furmark Corporation, 274 Madison Avenue.

Q And what positions do you hold with the Furmark Corporation?

A I'm president.

Q And the sole stockholder; is that correct?

A No. Furmark Corporation is a wholly owned subsidiary of Perikari, P-e-r-i-k-a-r-i, Corporation.

Q And who are the stockholders of Perikari?

A I own 80 percent of it and Mr. Adnan Khashoggi owns 20 percent of it.

Q The holding company, is it simply a holding company or is it a business as well?

A It is basically a holding company.

Q The business of Furmark Corporation is what?

A Well, it is basically involved in the energy field. Over the years we've had consulting agreements with -- to run a bankrupt refinery in Texas for two years doing refining. I worked with Roger Tamraz for three years trying to buy Commonwealth Oil & Refining in Puerto Rico, which was in bankruptcy and which was a public company.

The Furmark Corporation had a contract to act as a developer for two other companies, Alternative Power Corporation and Pittsburgh Alternative Power, which are companies trying to develop cogeneration power plants using waste coal, just trying to get involved in financing, working now on a financing of a hotel in St. Kitts. Try to do crude oil deals.

Q How many employees does the corporation have at present?

A Don't have any at the moment. There are two

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individuals in that office with me and we work together.

Q But they are not employees?

A No.

Q Let's take a break for a moment.

(Discussion off the record.)

BY MR. KERR:

Q You have a number of other business affiliations. I would like to go through the list of active corporate entities in which you are involved. Can you give me a description of those?

A Sure. APC, Alternative Power Corporation, which is a company which I control; the other shareholders are -- Mr. Khashoggi has a few percent. Saarberg-Interplan, a German coal company; third largest coal company in Germany, which is owned by the German government, is a major shareholder with me and we're trying to develop power plants utilizing their new technology. Another company is Broad Street Resources, which is in the oil field service company. It has a wholly-owned subsidiary called Genergy, which had 10 workover rigs and now has five, and Genergy is in Chapter 11.

Q In Broad Street, who are the shareholders in Broad Street?

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A I own about 10 percent or maybe up to 30 percent and the balance is owned by, I think, Triad Holding or one of Mr. Khashoggi's companies.

Q And Genergy was a wholly-owned sub of Broad Street?

A It is.

Q And it is Genergy that's in Chapter 11, not Broad Street?

A Correct.

Q Are there any other subs of Broad Street at present?

A No.

Q Any other corporate affiliations that you have at the present time?

A Well, we have a company called Loki Petroleum, which is an inactive company, however we just transferred the rigs, the five rigs to Loki Petroleum.

Q Loki Petroleum is owned by whom?

A It is owned by me.

Q Wholly owned by you?

A Yes.

Q Any other active corporate enterprises?

UNCLASSIFIED

A I'm just trying to think. No, that's it.

Q How about partnerships, joint ventures?

A No. I have just formed a partnership called Furmark and Partners.

Q What kind of partnership is that?

A It is a Delaware partnership. The purpose of it --

Q Limited partnership or --

A It is a limited partnership. The purpose of that is to use that for a potential acquisition of a company, and we're still working on it.

Q Who are your partners in that enterprise?

A Well, I'm the general partner and the limited partner is William Seizer, who works in my office, and until we get the transaction completed, he is the limited partner and he will then resign and other limited partners will put their money in.

Q I'm with you. Okay. You are in as a general partner in your own right or do you use one of your corporate entities?

A In my own right. I expect also to be a limited partner.

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Q Any other limited partnerships?

A No. Well, way back when there was a partnership Beta involved with a four- or five-well drilling frame in Oklahoma.

Q What is the status of that partnership?

A It is a total loss.

Q That's what happened to my oil partnership.

A There's another partner called -- partnership called maybe Alpha, which is a disaster too, in Oklahoma.

Q Oil, natural gas?

A Oil.

Q Does that exhaust the current corporate partnership affiliations?

A Yes.

Q I want to review with you some of your relationships with people who are of some interest to our investigation. Let me start with John Shaheen. You were employed by the late Mr. Shaheen?

A I was employed by Mr. Shaheen through his companies. Shaheen Natural Resources was his umbrella holding company and also by MacMillan Ring-free Oil, which is a company he controlled, and also Founders Corporation which

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he controlled.

Q Can you give me the time period when you were employed by one or more Shaheen entities?

A I went to work for him in 1966 and I left him in 1976.

Q And if you can, give me a synopsis of the types of things that you did for him during that 10-year period that would be helpful.

A With Shaheen Natural Resources I was the chief financial officer, and one of the wholly-owned subsidiaries was called Newfoundland Refining Company. We built a refinery in Newfoundland, raised $150 million which was my job. It was built in the name of Provincial Refining, which was a crown corporation of the province of Newfoundland and in 1976 that corporation went bankrupt. My job included being head of the marketing committee overseeing the sale of the products. I was involved with all the financing and negotiations for ship charters as well as for crude oil contracts.

Q In terms of John Shaheen's business endeavors, can you give me a summary of the types of things that he was engaged in during that 10-year period?

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A Well, Founders Corporation is a small public company with very few shareholders. It was not enough to file the normal filings that you would have. It owned two or three radio stations. It owned a station in Syracuse, a station in Honolulu and it owned half of a station in New Orleans, and it owned an interest in a television station in Syracuse. I was president of that company for a number of years and it also owned a block of shares of MacMillan Ring-free oil company.

He then tried to develop in Newfoundland a newsprint mill for about 10 years. I tried to develop it with him for about five or six years, trying to get newspaper publishers as customers as well as shareholders. He attempted to build an oil refinery in Nova Scotia. He attempted to build a second oil refinery in Newfoundland. He was working in Ireland on building an oil refinery in Bantry Bay in Ireland. He worked on three or four years to publish a New York City newspaper, and he just never got it finished. He spent about $16 million on it and never got it done, never printed its first copy.

He was involved years ago, before my time, in Panama in the building of an oil refinery which was taken

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over by Ultramar, which is an English company. He became the largest individual shareholder of Ultramar and sold out those shares before my time or early in my relationship with him.

Q Let's shift gears a little bit. In terms of Mr. Shaheen's relationship with William Casey, there was a relationship?

A Yes.

Q Can you describe what that relationship was?

A They were extremely close personal friends. They were both very much involved in Republican politics. They were very much involved in the William J. Donovan Foundation or the OSS, the Office of Strategic Services, which is an -- all members who were in that service, and they would meet and have dinners and present awards out. They presented awards to Thatcher, Willy Mountbatton, the three astronauts that landed on the moon. They presented awards to President Reagan, and so that was a focal point for them to get together, I think, and in addition, they were involved with, you know, doing legal work. He was in his own firm and then he became a counsel to Rogers & Wells, and Jack Wells and John, I think, were great pals as well as Casey, you know, was involved in it, in New York City.

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Q Was Casey counsel to Shaheen during the time you were employed by Shaheen?

A He did special things like when the company got into financial trouble, Newfoundland Refining Company, Casey and Shaheen and I went to Kuwait for about a week or 10 days trying to interest KNPC, Kuwait National Petroleum Company, owned by the government, to become a partner in Newfoundland Refinery, to invest funds to revamp the refinery so that we could use 100 percent Kuwaiti crude. It is very high sulphur, and you need lots of conversion equipment in the refinery, and we didn't have enough conversion equipment to use all Kuwaiti crude.

He was an advisor when Shaheen had problems, and you know, but that was my longest involvement with Casey on that trip.

Q Place that time for me, will you please?

A 1975 or 1976, let's say.

Q So this would be just before the time that you left?

A Yes.

Q Coming back, Shaheen had been in OSS at the same time Casey was in OSS and that's how they got to know one

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another?

A Yes.

Q Casey thereafter acted as legal counsel for special projects for Shaheen; is that correct?

A Basically, yes.

Q Did Casey and Shaheen have business relationships together to your knowledge?

A To my knowledge, I have never heard of any business relationship.

Q So you don't know of any partnerships, joint ventures, joint projects?

A No. I don't believe so. Shaheen just never did things like that.

Q Shaheen, I believe, from a conversation you and I had sometime ago, you characterized him as being a man who didn't work well with partners?

A He wanted to do everything himself, you know, and like, we got shares in the Newfoundland Refining Company, but we had to sign an agreement that he could buy it back at any time, so he wanted to be the -- he didn't want any, like you say, he didn't want somebody to die and have the wife get a lawyer and start poking around in his company. He didn't

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mind the employees making lots of money, you know, as long as he could control it.

Q With regard to the relationship between Shaheen and Casey after you left, you were aware that they continued to maintain a friendship?

A Oh, yes.

Q You were aware of that because of, among other things, you saw them at the OSS dinners each year; correct?

A Sure.

Q The reason you were going to the dinners was not because you were a member of the OSS --

A No, I was invited to fill out the table, and it was an a honor, really. I met lots of people because if it was in New York, Shaheen would have a party back at his apartment. I met the astronauts, lots of important people at the apartment, so it was --

Q You were aware, though, that the relationship between Casey and Shaheen continued, that they continued to be friends?

A Yes.

Q Let's move on now to your relationship with Casey. You got to know Casey best, I guess, on the trip to

Kuwait; is that correct?

A Well, I knew him all these years through Shaheen, you know, and you got to know more and more, and of course I was Shaheen's heir apparent, okay, and so I would see Casey a lot and lots of times I wouldn't see him, you know.

Q Let me move you into the period 1984, 1985. To what extent were you in contact with Casey in '84-85?

A I saw Casey at Shaheen's funeral, which was in November of '85, and I may have saw him at a dinner in '84 or at Shaheen's Christmas party in '84.

Q But you didn't have occasion to meet socially with Casey, talk to him on the phone --

A No, I didn't call him until I made that call.

Q In October of '86?

A Yes.

Q All right. Let's move on to a couple of other people. Let's take you to Adnan Khashoggi. You mentioned Mr. Khashoggi as being a business associate of yours with respect to some of the companies you have gone through. Let's backtrack and start out with how you came to know Mr. Khashoggi.

A I met him I think in 1966, when I was working for

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John Shaheen. We met in the summer, I think, of '66, or could have been '67, and we met almost every day in the Waldorf Astoria. Shaheen was attempting to do creative things involving Saudi Arabia, involving oil, and he and Khashoggi were ahead of their times. Their first idea they had was normally that Saudi Arabia was paid a royalty for their oil which is 12-1/2 percent. In their royalty contract, they had a right to take it in kind but normally, the Iranian would send them a check.

So they came up with the idea that the Saudi government should elect to take the oil in kind and sell it to Shaheen, and when word got out that was contemplated, the Aramco partnerships were all excited at the thought of Shaheen would have control of this oil, and then we were going to buy -- Shaheen and Khashoggi proposed to buy an interest in the oil which the Saudi government had, again ahead of its time, that somebody would think of buying the oil when in reality Aramco partners owned the oil and they just got a royalty. So Shaheen and Khashoggi were always a little ahead of their time.

Then I developed a relationship with Khashoggi and I would see him and he would use me as a sounding board from

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time to time. What would I do, you know; his business people said he should do this or that and he would ask me what I thought about it. I would see him in London or New York and have dinner with him and he would use me as a sounding board for various ideas which his staff was contemplating such as they wanted him to go public. I told him it was a crazy idea because all his income was offshore, so why bring offshore income onto the U.S. jurisdiction and pay taxes on it?

Q When did you and Khashoggi start actually doing business together?

A I left Shaheen in early '77 and at that time, Mr. Khashoggi purchased 20 percent of my company, Perkari, and retained me as a consultant to one of his companies.

Q You were a consultant to which of his enterprises?

A I think it was Triad Holding.

Q Triad?

A Yes. I forget. I advised him on basically oil.

Q And your relationship with Khashoggi has continued up through the present time?

A Yes.

Q Let me ask you about Cyrus Hashemi. You knew the late Mr. Hashemi; is that correct?

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A Yes.

Q When did you first meet Mr. Hashemi?

A I met him in 1983; I'm not sure of the exact date. Roger Tamraz asked me to go with him down to the Bahamas to have a meeting with the prime minister and the cabinet. There's a big oil refinery located in the Bahamas called BORCO, which was owned by New England Petroleum, Ed Carey's company, and it was in financial trouble with Libya and Iran, and Tamraz invited Hashemi to come down as a representative of the Iranian government.

BORCO owed Iran like $300 million or something like that and the idea was Tamraz tried to get the Bahamian government to work with him to acquire the company, and maybe within a week or two after our meeting, charter acquired the company from New England Petroleum.

Q So your first occasion to meet Hashemi would be on the Bahamas trip?

A Correct.

Q Thereafter, you had contact with Hashemi?

A Yes. I had a number of oil transactions I tried to get him to work with me on, as well as other financings.

Q In what capacity were you dealing with Hashemi;

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was it as banker, Hashemi as coventurer?

A He was as banker.

Q Okay. What bank?

A He had a bank called Gulf Trust, I think, First Gulf Trust or something like that, which was located in New York at, I think, 9 West 57th Street then, and so I went there to see him on a number of transactions that I was trying to do because he indicated he had access to lots of money.

Q So you went to him as a potential lender for those ventures?

A Yes.

Q And you would have gone on a number of occasions from '83 forward?

A Yes.

Q Was there ever an occasion up through the end of 1984 when you actually entered into a business relationship with Hashemi or any of his entities?

A In '84, that's when my activity with him got a little more frequent. In November -- let's say October, I went to him --

Q October of '84?

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A Yes. He was in London. We were trying to acquire a controlling share of a company called Gulf Resources which was on the New York Stock Exchange, and it was owned by Clore, and we went to him with a proposal that he would participate in the financing with us. We got to the stage of drafting agreements and et cetera with him, and the transaction never went forward. While there, he then had a potential Iraqi crude oil deal and he asked me to work with him on it, which never went forward.

It was at that time in December I approached him about the possibility of his ability to assist Caterpillar Corporation, who was on the blacklist in Iran, who prior to the revolution had an enormous agency in Iran, and this was in December of '84. And he indicated that he could assist in having Caterpillar's blacklist removed and Caterpillar becoming, you know, back in Iran, whereas now it was working through maybe the Spanish agency selling spare parts from time to time, but no new equipment.

And the Japanese company Komatsu, I think, was selling lots and lots and lots of equipment, so this was in December of '84. And then in January, first few days of January, I set up a meeting in London with Paul Kollao,

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K-o-l-l-a-o, who was from Geneva in charge of sales in the Middle East -- I'm not sure of his exact title -- and we had a meeting.

Q You had a meeting with yourself, Kollao, Hashemi; anybody else?

A No, I think that was it.

Q And the purpose of the meeting was to discuss reopening Iran to Caterpillar?

A Correct.

Q What came of that meeting?

A It went on and on and on, and eventually Caterpillar came back and said that they wanted to have a large partner with Hashemi. They didn't think he was strong enough or big enough but they thought maybe he might be able to do something in Iran, and that is how world trade got put together with Khashoggi.

Q And world trade becomes a prospect at what point in time?

A Well, let me just maybe go on to the next -- to fill you in.

I then went to Hamburg, like -- I can give you the exact dates. I have them, on a crude oil contract, on the

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5th of January, and that contract -- those discussions led to the signing of a letter of intent, which I gave you a copy of.

Q Let me stop you for a second. At the Hamburg meeting, that was a meeting with the Iranians?

A Correct. That was signed in April, but that meeting was --

Q Let's back up, though. At the meeting in Hamburg, one of the Iranians present was Manucher Ghorbanifar?

A Correct.

Q This was the first occasion you had to meet Mr. Ghorbanifar?

A Yes, sir.

Q Did you know of Ghorbanifar before this meeting?

A Never heard of him.

Q Apart from the Iranians, who else was at that meeting?

A There was an oil consultant from Hamburg named Shubert, I think.

Q Anyone else?

A That was the only Iranians.

Q You were at this meeting in your own right; were

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you also there on behalf of Khashoggi?

A No, I was there on behalf -- in my own right and on behalf of Tampimex and Hashemi.

Q You were there for Hashemi?

A And a company called Tampimex.

Q What business are they in?

A An oil trading company owned by Fritz Ingram. I go back to the Iraqi crude oil transaction. I brought in Tampimex as a potential buyer of the Iraqi crude if there was a contract, and there ended up being no contract but that was the initial introduction of Tampimex and Ingram to Hashemi.

Q Moving on, had Hashemi set up a meeting with the Iranians?

A Yes.

Q Did Hashemi know Ghorbanifar to your knowledge?

A No.

Q He did not?

A No.

Q You have a meeting on or about January 5, and is that, at that point, that the counter at any rate proposal is broached?

A No. We are negotiating a crude oil contract,

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100,000 barrel a year contract, per year, and I then had lunch. Included in that meeting was a Dr. Espabardi who headed up the Iranian buying office in Hamburg, so seeing him for lunch, meeting with him for dinner, I was interested in what he was doing. And so then I said, why don't you give barter contracts, because he had barter contracts with other companies.

Q When you use the term "barter contracts," is that where oil would be traded for goods?

A Yes, let's say with Kerr Steel Company, specific contract, and I suggested why don't you give us a contract, trade contract, where we will sell your oil, put the money in escrow and then buy your goods and pay for the goods out of the escrow amount. So that was the beginning of that concept, and then it evolved into my going back in April to negotiate. It was initially 500 million, but in Hamburg, in April, we got it up to a billion dollar contract.

Q With regard to Hashemi, let's stop there for a moment. Do you recall when the indictment of Mr. Hashemi came down? Was it in early 1985?

A The first one?

Q Yes.

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A I'm not sure when.

Q Is it your recollection that you were dealing with Hashemi outside of the United States in 1985?

A Yes, because I was going to London.

Q The reason he was in London was because there was a warrant outstanding for his arrest in the United States; correct?

A I think it happened later. I'm not sure when it happened.

Q Okay.

A I'm not sure of the date because I remember he was traveling, from what I read in the paper.

Q Were you ever present at meetings where both Ghorbanifar and Hashemi were present together?

A No. I shouldn't say -- in June of '85, in Hamburg.

Q They were together at that time?

A Yes.

Q All right, let's pursue the chronology, then, in terms of the world trade development. You have meetings in January?

A On Caterpillar.

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Q Yes. Take me chronologically. What happens next? Where next do you go?

A The Caterpillar thing was on and off, on and off while Caterpillar U.S. did lots of checking on Hashemi, and they came up with a lot of black marks about him, gambling problems and other things, but they thought maybe he had contact in the country. But they suggested that I needed a big partner, and that is when I recommended Khashoggi.

Q Place that in time, when that recommendation occurred; is that February?

A No, no. You know, probably in March, and I then arranged a meeting for Hashemi and Khashoggi, but that meeting was set up on a different matter, okay? Khashoggi was in Brazil and was negotiating a deal with Petrobras involving his Sudan oil concessions. He owned half of a company called, I guess, National Company of Sudan or whatever the name of it was, and he was going to have Petrobras, which is the national company of Brazil, join him in the effort in developing the oil in Sudan.

So I'm in New York in my office, and I get a call from Hashemi, and he tells me that Khashoggi's proposal in Brazil has fallen apart is going to be turned down, so I

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called Mr. Khashoggi in Brazil and I tell him that this guy Hashemi that I'm working with who is on Iranian things and on the Caterpillar transaction -- let me go back.

One of Khashoggi's guys asked if I could help Caterpillar, so I talked to Adnan, Cyrus, and Cyrus tells me these things about Brazil and I tell Khashoggi all these things, and Khashoggi is amazed how much information this guy has about Brazil and Petrobras. So I think it was in March, a meeting was set up between -- because he said he knew how to solve Khashoggi's problems in Brazil and how to present it in a different fashion so it could get approved. So a meeting was set up and that's how they met, okay? In that meeting, Caterpillar transaction came up and also the potential contract for the $500 million counter trade contract came up. It was at that meeting where the world trade concept came up, that and an agreement was worked up.

Q Where was the meeting and when was it?

A It was in London in March, I guess, because I see I was at Claridge's in London for about a week, like March 5 through 12th, so I think it was in that period of time.

Q And the people --

A What's the date of this; this shareholders' agreement? This is March 29, okay? So --

Q People attending that meeting were yourself, Khashoggi, Hashemi?

A Lots of those people.

Q Ghorbanifar was not at this one?

A No.

Q Okay. And the upshot of that meeting is what; what was concluded?

A That a company would be formed which would have two purposes, two subsidiary companies. One was to deal with the Caterpillar transaction and the other to deal with the countertrade transaction.

Q All right, and the participants in the company were to be whom at the outset?

A Khashoggi, Hashemi, each with 45 percent, and I had 10 percent.

Q All right. That results in a shareholders' agreement?

A Correct.

Q Of March 29?

A Correct.

Q Let's take a look at that. We have a copy of it which will be marked as Exhibit 1. Is that the shareholders agreement that was one of the formative documents on the venture?

A Yes.

MR. KERR: Let's mark it.

(Exhibit 1 identified.)

BY MR. KERR:

Q As of the time of this document, March 29, 1985, had you introduced Khashoggi to Ghorbanifar?

A No.

Q Had you talked to Khashoggi about Ghorbanifar?

A No.

Q To what extent had you had contact with Ghorbanifar between the first time you met him in early January 1985 and the end of March? Had you had further contacts with Ghorbanifar?

A I don't think so.

Q You got the shareholders' agreement of March 29. What happens next?

A We then -- I was proceeding to try to get Caterpillar to agree to giving us an agency agreement.

MS. DORNAN: Could you tell me what the original problem with Iran and Caterpillar was?

THE WITNESS: Well, my understanding is that when they had the revolution, Caterpillar was loyal to whoever they were working with in Iran, and didn't change, you know, shift over to a new agent or new group or something, and they got put on a blacklist.

MS. DORNAN: Caterpillar was in any case having trouble competing with Komatsu worldwide?

THE WITNESS: Up to that time I didn't know much about Caterpillar other than it was -- you know, you see the big tractors.

BY MR. KERR:

Q Let's move forward from March 29. What was the next event?

A I then -- we were working with Caterpillar, numerous meetings trying to get them to give us the agency. Caterpillar U.S.A. then decided that they wanted to bring us a partner, which was Finnings, which is a Canadian company with a big English operation, which handles like Poland and some of these other countries for repairs as well as new equipment as well as supplies.

So we were negotiating with Finnings to be our

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partner for Iran because they had a big operation in U.K. and they had expertise, in addition to Poland, I think another couple of countries where they handled the whole thing. And we left world trade in, I think, July, and so I don't know what happened. I know they never concluded anything.

Q Let me keep you in April. There is a letter of intent that gets executed April 23 in Hamburg, Germany, apparently. Let's mark that as Exhibit Number 2.

(Exhibit 2 identified.)

BY MR. KERR:

Q First, if you can identify that document.

A Yes, this is the letter of intent that I negotiated.

Q Tell me what this document is intended to do and how you got to that point from where you were on March 29.

A Well, I went to Hamburg on the 21st of April. I was there for the 22nd and 23rd negotiating with a team of people from Iran at the offices of Iranian Commercial Industrial Services, ICI, concerning this agreement. And what this does is, okay, we would sign, "we" being World Trade Group, would sign a crude oil contract with NIOC for a billion dollars. We would then pay, let's assume we could do

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it in one shot, we sell a billion dollars today, we put 500 million into an escrow account which we would use to pay for goods and services which we would buy for Iran, and we would pay 500 million to IROC in cash.

So this was a letter of intent. We would have to then negotiate a crude oil contract with NIOC. We would have to negotiate a credit agreement with the central bank of Iran, and we would have to negotiate a goods purchase agreement with the ministry of industry, so this was the first step toward the negotiation of three contracts.

Q Now, the Iranians you were dealing with for the letter of intent, did they include Ghorbanifar?

A He was not involved in the negotiations.

Q Were you dealing with Ghorbanifar in this period of time, April of 1985?

A I met him but I wasn't -- he was not involved in any of the negotiations whatsoever.

Q What were the circumstances under which you met him; was it social?

A He was in Hamburg.

Q He was in Hamburg?

A I believe so.

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Q You met with him socially?

A Yes. With -- I think with his family, if I'm not mistaken. I think he was there.

Q Do you recall discussing with him at that time any activities he was involved in?

A None whatsoever.

Q Was there any discussion at that time of his interest in seeing relationships between the U.S. and Iran improve, talking about arms for hostages, any of those items that came up?

A Let's go back to January of '85 when we had -- when I was there on the oil contract. We had, I don't know, three, four, five lunches or dinners, and they were talking about, you know, the difficult problems in Iran and the various scenarios as to what could happen in the country. They could have another Lebanon, the Russians, total isolation, or there could be, you know, pro-Western people that take over. It was at dinner or at lunch in an Iranian restaurant, and those kind of conversations, discussion. Shubert, the German guy, was discussing lots of hard questions, and they were, you know, very open.

Q And what, if any, direction did you sense

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Ghorbanifar to be taking?

A Well, I sensed that lots of people in Iran were unhappy with the situation, but they couldn't do anything about it. I mean, I think one of the Iranians said the only way they can protest is to slow down on the job. The only way they can do it.

Q By April, you are meeting with Ghorbanifar again. At that point, does he talk any more about these kind of things?

A No.

Q With regard to the relationship developing from April forward, take me past the letter of intent. What happens next?

A Well, we then began to try to get from Hamburg, you know, various potential orders; like one order they gave us was for paper boxes or something like that. Another order they gave us was for steel billets, and we could -- we went out in the marketplace. We found that three other Iranian ministries had already also sent word out they wanted to buy it, so we were just, instead of thinking, we had some kind of exclusive relationship with Hamburg. We found out that, you know, 35 other people were trying to buy the same thing we

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were trying to buy.

So the supplies of stuff -- thought there was a big demand and the price went up. This is the way they have always operated, I'm told. Nobody has any exclusive because each department, each industry, each ministry, each everything, they do what they want to do, and if they want to buy something rather than use Hamburg, which is supposed to be one of the buying offices or their only buying office, but it is not that way. So every time we went out for something, you know, we were -- with the fifth inquiry or the 10th inquiry that the company had gotten. We talked about Bowater Paper Company and they had a number of inquiries on the same purchase item. We then continued to worked with Finnings and Caterpillar trying to get that thing done.

Q When did you introduce Khashoggi to Ghorbanifar?

A We then went to Hamburg to have a meeting with Espabardi, the head of the office, to try to accelerate how we would get this done, the letter of intent done, and in Hamburg, I was there, Khashoggi came, Ghorbanifar was there, Hashemi was there.

Q And when did this meeting take place?

A I have -- like the 12th of June.

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Q And what do you recall happening at this meeting?

A Well, lots of things. Number one, when I was with Espabardi who is head of the office, he told me that Mannesmann, the big German company which had a barter contract with Iran was in trouble. So they asked me to go and I went to Dusseldorf to meet at Mannesmann. Khashoggi met Espabardi, Ghorbanifar; Hashemi was there, and the idea was how do we accelerate this and expand this. It was a billion dollar contract, and it seems like a lot of money, but we're talking about getting it enlarged and how do we get it done; how do we get to negotiations in Hamburg rather than in Tehran, and then Ghorbanifar and Khashoggi hit it off.

Q Was it your impression this was the first time that Khashoggi and Ghorbanifar had met?

A That was my impression.

Q Has it come to your attention since that time that they had met or had done business before then?

A No.

Q So you have no reason to believe that they had known each other prior to the introduction in June of 1985?

A Right.

Q All right, they met, they hit it off. Hashemi was

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also involved in these meetings?

A He was there, yes, because it was world trade.

Q And Hashemi and Ghorbanifar also appeared to get on with one another or did not?

A No, it was very formal and --

Q All right. Hashemi was under indictment at that time. Do you recall any discussions that you would have been privy to with regard to what he was going to try to do to get that indictment taken care of?

A Not at that meeting, but at one meeting he asked if I knew a good lawyer in London and I gave him the name of a lawyer here in New York or Washington and the lawyer went to see him, and he didn't retain him.

Q He did retain Elliot Richardson?

A Eventually, yes.

Q Mr. Richardson apparently begins to represent Hashemi in late June, early July. In terms of placing your conversation with Hashemi --

(Discussion off the record.)

BY MR. KERR:

Q Place for me, if you can, in relationship to this meeting on June 12 in Hamburg, when you would have talked to

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Hashemi about his legal difficulties.

A He asked me in London. At some point in time he asked if I knew a good lawyer, and then I forget the name of the lawyer that I recommended. I called somebody who called somebody who said this may be a good guy and then I spoke with him and he spoke directly with Hashemi and then he went to London and he wasn't retained.

Q Let me take you back into June then. In the June period of time, or any period of time up to June, were you involved in any discussions with Hashemi in an effort he would make to suggest to U.S. officials that he could put together an arms-for-hostages arrangement involving Ghorbanifar if they would take care of his indictment?

A No.

Q Did you at any time have such a conversation with Hashemi?

A No, but I overheard a conversation -- I think it was maybe talking to Shaheen, John Shaheen, in his office in London, where he was saying that he could get the hostages released and he wanted to have an agreement that his indictment would be withdrawn.

Q Let me focus on that. First, can you place that

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in time? When did that occur? Use whatever dates you have there.

A It would have to be like June or July of '85.

Q Right. But you can't narrow it down more than that?

A No.

Q You were present when this conversation took place?

A I was in his office.

Q In whose office?

A Hashemi's office.

Q In London?

A In the world trade office.

Q And John Shaheen was also present?

A No, he was on the telephone. I assumed he was talking to Shaheen. I don't know that he was, but I assumed that.

Q Why did you assume that?

A Because -- go back to the Iraqi deal in '84. He was trying to do the same deal with Shaheen on the Iraqi deal and one of Shaheen's guys was in Geneva, ready to go to Iraq, and when I knew there was no Iraqi deal I was going to call

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Shaheen and say, listen, there's no Iraqi oil deal and he would have said, maybe, Roy is trying to put me off the deal so he can do the deal. So I never called Shaheen, and through mutual friends I heard and knew that Shaheen and Hashemi were involved in some financing deals and other potential deals.

Q Let me come back. Let's set the context. Why was it that you were in Hashemi's office?

A It was world trade. It was world trade. I happened to be talking to him and the phone call came in.

Q And it was your perception the phone call was from John Shaheen?

A Yes. It was -- either he had placed the call or John Shaheen had called.

Q And in capsule form, tell me what you recall overhearing in that conversation.

A That he, Hashemi, you know, could be instrumental in the release of the hostages and he would want to have an ironclad agreement that his indictment was, you know, thrown out or whatever.

Q Was Ghorbanifar's name mentioned during the course of that conversation?

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A Never.

Q Did there ever come a time when you were involved in a discussion with Hashemi when he discussed using Ghorbanifar as the vehicle to affect an arms-for-hostages deal?

A Never. I never heard "arms for hostages."

Q With regard to Hashemi, is this the only occasion when you heard such a conversation?

A Yes.

Q And it is the only knowledge you have about Hashemi's involvement in an effort to get the hostages out; is that correct?

A Correct. Let's go back to October '85. October 3, maybe. I had a drink with John Shaheen in New York, and he had just come back from Japan. He had been there for I guess four or five months, having treatment for liver cancer, and he told me that he had been dealing with Hashemi on at least getting the hostages released, but that on July 13, 1985, he was cut off.

Q Cut off by whom?

A By Casey, because Shaheen was talking to Casey.

Q Let's back up. What did he tell you about how he

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was dealing with Hashemi and with Casey. Tell me what Shaheen told you in as much detail as you can recall.

A Only that he had been working with Hashemi and Hashemi said he could get the hostages released. Casey -- he was relaying it to Casey, of course, and Shaheen said that, you know, we cut him off on July 13, 1985, because we felt that he could not deliver anything, and in fact, Shaheen said the only Iranian name he could --

(Discussion off the record.)

THE WITNESS: So Shaheen said the only Iranian that he mentioned was a guy named Ghorbanifar, and Ghorbanifar, you know, couldn't do the job or something, John said, and that was the end of the conversation.

MR. KERR: Let's take a recess.

(Recess.)

BY MR. KERR:

Q With regard to what you knew about the Hashemi effort to involve the Central Intelligence Agency and getting back the hostages and getting his indictment quashed, I think if I understand what you are telling me, you did not have any contemporaneous knowledge that these initiatives were going on apart from the telephone conversation?

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A Correct.

Q But you did get kind of a recap from Shaheen when you had a drink with him in New York in October of 1985?

A Right. Then he died about three weeks later.

Q I understand.

Did he tell you any more about who at the agency he had been dealing with?

A No.

Q You were left with the impression that Shaheen had been in touch with Casey?

A Correct.

Q But ~~you~~ he didn't give you the identity of any other CIA personnel he had dealt with?

A No, he just mentioned Casey.

Q In terms of Iranians, he had mentioned Ghorbanifar's name?

A Correct.

Q Did he mention the name of any other Iranians?

A No, and I did not mention that I knew Ghorbanifar when I saw Hashemi.

Q Okay.

MS. DORNAN: Did you receive the impression that

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Hashemi hoped to secure the hostages' release on this through his contacts in Iran, or did he also have contacts in Lebanon or elsewhere that he could use?

THE WITNESS: No. I can now speak today. Hashemi led everybody to believe he knew everybody, and in the end he really knew nobody, and I went through so many transactions with him where it gets to the point and he wouldn't sign, couldn't deliver, wouldn't do anything. That's why, you know, we walked away from it and I stopped trying to do anything with him.

MS. DORNAN: So either in the telephone conversation you overheard or in your conversation with Shaheen, you didn't get any details on how you planned to go about it?

THE WITNESS: You know this indictment was an obsession with him. He wanted to be -- he would give his ascot party in June and invite the lords and ladies, and then in one of the London papers there would be a story occasionally about him and this indictment, and it was an obsession to get rid of it.

MS. DORNAN: If he could get the U.S. government to get the hostages back, he would do anything. It was an

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obsession to get rid of it. Occasionally the U.K. press would attack him and who he was.

MS. DORNAN: In part because it was a social stigma as well?

THE WITNESS: Sure. He was extremely wanting to climb the social ladder in London and all over the place.

BY MR. KERR:

Q Let me touch base on a couple of other things. There's a report that grew out of the indictment of Sam Evans that you introduced Evans to Hashemi in January of 1985. Is that correct?

A That's not true.

(Discussion off the record.)

BY MR. KERR:

Q Did you introduce Evans to Hashemi?

A Yes.

Q When did you do that?

A In October, maybe of '84, because I was using Sam Evans as my lawyer on the Gulf Resources deal, and then he became the lawyer when we were trying to do the Iraqi crude oil deal in November, December.

Q So you would have introduced him to Hashemi, but it was earlier than January or February?

A I would say it is October. I look at the drafts of the Gulf Resources transaction.

Q There is also an allegation that's been made in that lawsuit that at some point in January of 1985, you related a conversation perhaps to Evans that Casey had told you that the United States had supplied and permitted others to supply arms to Iran as of January 1985. Was there ever such a conversation that you had?

A Never.

Q And I take it from what you have told me you weren't having many conversations with Casey as of January 1985.

A I saw him maybe at a Christmas party. Maybe. I'm not sure if he was even there or if I was there, but that would have been Shaheen has a Christmas party, his company, MacMillan would have a Christmas party at the Metropolitan Club.

Q Let me phrase the question another way. As of late '84, early 1985, had you had any conversations with Casey about U.S. responses to folks who wanted to send arms to Iran?

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A Never.

Q That had not been something you discussed with him?

A Never. Never.

MS. DORNAN: When had been your last fairly extensive contact with Casey other than something casual?

THE WITNESS: You know, in -- let's say prior to '76.

BY MR. KERR:

Q As of June 1985, your meeting in Hamburg at that time, had you become aware of Michael Ledeen? Had you come to know that name?

A No.

Q When did Ledeen first become a name that was familiar to you?

A I met him for the first time in January 1986.

Q January of '86?

A Yes.

Q Is it possible that you would have met Ledeen in October of 1985 when Ghorbanifar was in Washington, D.C.?

A No. I met him at Scott's in Georgetown, the restaurant, for dinner that night with his wife and

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Ghorbanifar and his lady friends and myself. First time. I never heard of him before.

Q And that was the first time Ghorbanifar was to take the lie detector test?

A He was here in Washington, yes.

Q Ghorbanifar reacted fairly violently to that lie detector test?

A He told me he took one.

Q That was taken January 11 or thereabouts?

A I was in Washington and I met on, I think a Saturday night, that's where I met Ledeen for the first time.

Q Again, see if I can refresh your recollection, Ledeen when interviewed had some recollection of having had dinner with you on an earlier trip Ghorbanifar made to the U.S. Ghorbanifar came into the United States on October 7 for a meeting that he had on the 7th and 8th with Ledeen and others at the Old Executive Office Building. I have a note from our interview that you may have had some recollection of being present for a dinner with Ledeen and Ghorbanifar at that time; but that's an error?

A I had dinner in New York with Ghorbanifar, and I didn't meet Ledeen until January of '86 in Washington.

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Q You had dinner with Ghorbanifar in New York when? October of 1985?

A I think it was October.

Q Let me give it one more shot. Ledeen was in Tel Aviv in late July, early August of 1985, we will come to it in the chronology in a moment; but you also were in Tel Aviv meeting with Ghorbanifar during that period of time.

A That was June.

Q June?

A Yes.

Q Okay --

A Yes, June 20, we left on the 19th, I think, of June from Frankfurt to Tel Aviv, and we were at the Hilton Hotel and we left on the 22nd of June.

Q Okay, that rearranges the dates by a month or so. So your recollection of the trip to Israel with Ghorbanifar is that it would have been the third week of June?

A Right, 19th of June, I left Dusseldorf to go to Frankfurt and then Frankfurt to Tel Aviv. That was the day that the Frankfurt airport had a terrorist bomb blast, then we were at the Hilton Hotel for three nights, look like. We left on the 22nd, Tel Aviv to Paris.

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Q Let's back up then. The meeting in Hamburg was when in June? June 12?

A Yes.

Q And you would have gone from the meeting in Hamburg to Tel Aviv; is that the way it worked?

A Well, I went to Paris, and then I went to Dusseldorf to meet for two days with Mannesmann, and then I went from Dusseldorf to Frankfurt to go to Tel Aviv.

Q And you left Frankfurt for Tel Aviv when?

A On the 19th.

Q June 19? All right. And you made that trip with Ghorbanifar; correct?

A Right.

Q And you made it with the consent of Adnan Khashoggi?

A Yes.

Q Let me get it clear. Something has developed in the relationship between Ghorbanifar, you and Khashoggi, obviously, by June 19. Describe for me what's happening. What's going on between you, Khashoggi and Ghorbanifar?

A Well, I am -- you know, I am working with Adnan for many years. I'm working with Ghorbanifar, trying to get

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crude oil contracts, trying to get other business that we can get out of the country. Here's a guy that says he can deliver, and it is extremely hard to even, you know, spend time with the guy because the guy comes and goes, disappears, and so I think probably when I was in Paris on the 17th, he says I'm going to Israel, why don't you come along; and I called Khashoggi and he said go ahead.

Q As of that point, what if anything did you know about Ghorbanifar's interest in developing relations between Iran and the United States?

A It goes back to --

Q But tell me what your state of mind was, what you knew as of mid-June, 1985.

A Khashoggi was trying to assist him.

Q Assist Ghorbanifar?

A Right.

Q In what sense?

A To develop a relation with the U.S. via Israel.

Q So the prospect of using Israel as a way of improving Ghorbanifar's access to the United States had come up by that point; is that correct?

A Right.

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Q Explain to me what Khashoggi was suggesting to Ghorbanifar vis-a-vis Israel.

A Well, I think -- I know -- I don't know a lot of details, but I think Khashoggi's view was that he did not know how to check out Ghorbanifar and Ghorbanifar's bona fides and his contacts in intelligence, but he thought the Israelis would know how to do it best of all, and if they could do it best of all and verify he was what he says he was, that could be the first step toward opening better relations.

And all the time you must remember Khashoggi had just signed a billion dollar contract, trade contract, which would be 10 billion or 20 billion, so in his mind is that if we could get Iran close to the West and Ghorbanifar was the person doing it, we could then go from a billion dollar counter trade contract to a 10 or 20 billion dollar contract, so that was ultimate in Khashoggi's mind; because he thought once the war would be stopped, Iraq and Iran would probably spend 20, 30, 40, 50 billion a year to rebuild for the next 10 years. The bloom was off the Middle East in making big money on big contracts, because they had already built everything they were going to build.

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Q Let's pursue it a step further. As of June 1985 what knowledge did you have of Ghorbanifar's past relationship with the Central Intelligence Agency?

A Zero.

Q Ghorbanifar had not told you of his past dealings with the CIA?

A Never.

Q What knowledge did you have or did you acquire in June of 1985 of efforts that Khashoggi was making using [redacted] to learn more about Ghorbanifar?

A I didn't know anything about it.

Q Did not know anything about it?

A No.

Q You did know he was going to use Israeli intelligence to check on Ghorbanifar?

A Right.

Q Who were Khashoggi's contacts in Israel at that time to your knowledge?

A I guess he knew the prime minister.

Q Peres?

A Yes. I don't really know but --

Q What names was he running by you? Had he mentioned Nimrodi or Nir or Schwimmer?

A Yes, Schwimmer.

Q What did you know about Schwimmer?

A Didn't know anything about him.

Q Any other names being used at that time?

A I heard the name Nimrodi, but that was it. Nir I never heard of until this whole thing was blown up.

MS. DORNAN: Were you certain in your mind that Israel was raised by Khashoggi and not by Ghorbanifar, that Ghorbanifar didn't suggest Israel as a way to check the bona fides or an intermediary?

THE WITNESS: All I know is that Khashoggi was instrumental. That's my understanding, but I don't know.

BY MR. KERR:

Q Well, by June 19 or thereabouts, you are getting on an airplane to fly with Ghorbanifar to Israel; correct?

A Right.

Q What was your understanding as of that time of Ghorbanifar's relationship with the Israelis?

A I didn't know of any relationship.

Q You knew that Ghorbanifar had traveled to Israel before?

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A Did not.

Q Did not?

A No.

Q You get on an airplane, it is a El Al airplane that you take?

A Yes.

Q Did you discuss with him on that airplane ride what his relationship was with the Israelis?

A No.

Q Did not?

A No.

Q What did you discuss on the airplane ride?

A What?

Q What did you talk about with him?

A Lots of things.

Q Such as?

A Business, potential for getting, you know, oil field supply contract, how do we get this done quicker.

Q This being the counter trade deal?

A Yes. How do we get crude oil contracts, you know, in January of '84, I went to Singapore to try to sell the Iranian offshore oil company a drilling frame from Singapore

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for $40 million, so I was trying to see how he could get things done for us in a commercial sense, because it is not easy.

Q All right. The June trip to Israel, when you arrived at the airport, who met you?

A Mr. Nimrodi.

Q What did you know about Nimrodi at that point?

A Nothing.

Q You had not been told anything by either Ghorbanifar or Khashoggi about Nimrodi?

A No.

Q Did they introduce you to Nimrodi? Somebody must have introduced you to Nimrodi? He stuck out his hand and said hi? What happened?

A I had met Nimrodi I think once in London, in May or June or something.

Q What had caused you to meet him in London?

A He was meeting Khashoggi.

Q He was meeting Khashoggi?

A Yes.

Q To discuss business?

A I don't know.

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Q You weren't present when they --

A No.

Q What was your understanding of what Nimrodi's role in life was?

A I didn't know. I have learned, being around in the Middle East, you don't ask lots of questions, because if you do they will wonder why you are asking questions. You may sit at a dinner table and learn lots of secrets, but you never ask anybody in the Middle East any questions about this or that unless you are working on a specific thing and you say, I need this or I need that; but it is a cardinal rule you don't ask any questions.

Q What did you understand Nimrodi's relationship to Khashoggi to be?

A I don't know.

Q You didn't know?

A I didn't know of his relationship.

Q As of today, do you have any knowledge of the relationship between Nimrodi and Khashoggi?

A I don't know how deep it is. I know they know each other.

Q What's the nature of the relationship?

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A I think Mr. Khashoggi, you know, believes that Israel, you know, can play an important role in peace, and Nimrodi is an important guy in the country. He apparently is involved with the Sharon faction, and Sharon is involved in another faction, so he has access to people. Since this I learned he was involved with the August transactions.

MS. DORNAN: Did you have the impression that they had a longstanding relationship or was there anything to --

THE WITNESS: No.

BY MR. KERR:

Q You arrive at the airport with Ghorbanifar. I take it your being with Ghorbanifar caused something of a stir; is that correct?

A Oh, that's what Ghorbanifar said.

Q What were you told in that regard?

A Ghorbanifar told me they think you are a CIA agent.

Q "They" being the Israelis?

A Yes.

Q And how was that manifested to you, if it was?

A Well, I didn't see it, but Ghorbanifar said they are snapping pictures like crazy of you but you didn't see it.

Q "They" being the Israelis?

A Yes. They told me they think you are a CIA agent. Are you an agent?

Q You were in Israel for what period of time?

A I think we were there three nights. We got there on I guess the 19th and we left on the morning of the 22nd.

Q I want you to describe for me what you did and what you saw during that period of time in Israel.

A Okay. We got to the hotel. Checked in. The rooms were already set up for us. Then Ghorbanifar went to a meeting, and I don't know what time he got back, three or four hours later, whatever. The next day, we went to Nimrodi's office.

Q We being whom?

A Ghorbanifar and I. Then we went to Nimrodi's home and swam in the pool and did that for two days waiting for Schwimmer, who was in I think China, and then Schwimmer came back, landed at the airport, went to Nimrodi's house and then they called for somebody, I think Kimche.

Q Kimche?

A I think so. They came and there was a very short

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meeting and that was it.

Q You were at Nimrodi's office first?

A Yes.

Q Any conversation that you recall?

A No. There were lots of other people there.

Q At the office?

A Yes.

Q But you can't recall anything that was said or done at that --

A No. Nothing to do with Iran or the U.S. It was just, you know, conversation and then we went to have lunch. I'm not sure where we had lunch, whether at his house or what, but we spent the next two days at the hotel walking around.

Q When you say we, it was you and Ghorbanifar spent the next two days?

A He had lots of meetings and then he would come back.

Q Did he tell you what the meetings were about?

A They were trying to --

Q They being --

A Israeli intelligence.

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Q Right.

A They were trying to check his bona fides and he was giving them I guess information which they could confirm or deny, and I think it went on and on, but that's basically --

Q Your impression was that Ghorbanifar was being debriefed during this period of time by Israeli intelligence?

A They were checking him out.

Q He was providing them with information that.they would check out?

A I think so.

Q That's what he told you?

A Correct.

Q You were not present when he was being debriefed?

A No.

Q Do you know what Israeli intelligence he was giving this information to?

A Do not.

Q Were you yourself giving information to anyone?

A No, nobody talked to me.

Q All right. Again, do you have any recollection of knowing or learning during this period of time about

Ghorbanifar's previous relationship with Israeli intelligence?

A None whatsoever.

Q Ghorbanifar didn't enlighten you in that regard?

A Did not, no.

Q You spent time at Nimrodi's home?

A Correct.

Q Do you recall anything about conversations that took place when you were at Nimrodi's home?

A No. There were no conversations. I mean there was talk about --

Q You couldn't have been underwater at the pool the entire time. You must have been talking about something.

A His daughter was getting married, you have to come to the wedding, have some great Israeli food and, you know, but it was no business.

MS. DORNAN: You didn't discuss what sort of business he was in or anything? Did you learn about his background?

THE WITNESS: He was -- let me see. They were involved with desalination plants or something like that, I think he was telling me they have, you know, the finest

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technology and, you know, you ought to sell some of our plants to the Arabs, you know.

BY MR. KERR:

Q Schwimmer arrives on the scene toward the end. Were you present when he was with Ghorbanifar and Nimrodi?

A Yes.

Q What were they talking about in your presence?

A They wanted to send spare parts to Iran.

Q They being the Israelis?

A Yes, but they couldn't do it without U.S. government approval.

Q Spare parts for munitions?

A Don't know. Spares. They had to get U.S. approval and they were going to try to do that.

Q Did they say how they would try to get U.S. approval?

A Go to Washington.

Q Did they say who in Washington they were dealing with?

A No.

Q Anything further that you recall about what was said in your presence during the course of these meetings in

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Israel?

A No. That's really it.

MS. DORNAN: Were they reluctant to speak in front of you?

THE WITNESS: They were, yes.

BY MR. KERR:

Q Why?

A I was an American.

MS. DORNAN: Did you wander off sometimes and they conducted their business?

THE WITNESS: No, the meeting was outside on the patio, and probably it lasted 20 minutes. It was -- Schwimmer was exhausted, had just flown back from China and he wanted to go home, and the meeting, I presume it was Kimche they waited for. They introduced him, but the name I never recalled, but it looks like when I look at the pictures, and the most -- it was a short meeting. That's not to say they didn't have another meeting after that. I don't know, but it was an unbelievably short meeting. Schwimmer wanted to go home and that was it. Next morning we left for Paris, like 6:00 in the morning.

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BY MR. KERR:

Q You and Ghorbanifar on the same plane again?

A Yes.

Q What did you talk about on the ride back from Paris?

A He was excited that maybe the U.S. would approve.

Q Approve what?

A The Israelis supplying spares.

Q And why did he think that was going to happen?

A Just the fact that they would go to Washington. He felt good about it.

Q Do you have any recollection of Ledeen's name coming up at all, flying into or out of Tel Aviv?

A Never.

MS. DORNAN: During your time in Israel, did you get much time with Ghorbanifar to discuss the business deals you had gone there for?

THE WITNESS: Yes, we had some time. We took long walks. We had I think dinner one night out at one of the restaurants overlooking the water.

MS. DORNAN: By the end of this trip, what was your impression of Ghorbanifar?

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THE WITNESS: When we met in January of '85, it was a very good chemistry, you know, exceptionally good chemistry. He is a very, you know, considerate person, always asked about your family, the kids, I mean it is important to him, whereas lots of other people would never ask, you know, how is your wife? How are the kids doing? He was always very considerate, and we developed a relationship, and that's why I pursued it.

MS. DORNAN: You felt by this time that he could deliver and he was somebody you could trust?

THE WITNESS: No question. I believed if anybody could deliver he might be able to deliver. Get this contract done, get some business out of the country because you need to know somebody, you know, to get these things done in Iran, more so than any other place because it is a revolutionary government. It is impossible to do business.

MS. DORNAN: Did you talk in any detail about his Iranian contacts?

THE WITNESS: He talked about he had great friends in the prime minister's office.

BY MR. KERR:

Q Did he identify who his friends might be?

A No.

Q All right, you fly back into Paris when?

A On the 22nd.

Q All right, and do you and Ghorbanifar part ways at that point or what happens?

A I then -- yes, I go then on the 23rd to New York.

Q When do you next have contact with Ghorbanifar?

A I don't have it down, but I think it was in August.

Q In August? Let me stop you then. You were aware that Khashoggi on July 1 sent a letter to Mr. McFarlane enclosing a rather lengthy paper; correct?

A Way after the fact. I was not aware -- I got it, I don't know when, but long after the fact.

Q You were not aware at the time that this letter was being drafted for McFarlane?

A That's correct. I didn't know anything about it. I was not involved whatsoever.

Q Well, let's start by identifying the document. Let me ask to have marked as Exhibit 3 the Khashoggi letter of July 1 with its enclosure.

(Exhibit 3 identified.)

BY MR. KERR:

Q If you would look at Exhibit 3, you provided me with this document; correct?

A Correct.

Q When did you come into possession of Exhibit 3?

A Maybe the fall of '85. I don't remember, but long after.

Q Was any explanation given to you of why you weren't being made aware of this document when it was being produced?

A No. I have never been involved in anything like this with him whatsoever. I mean, he does -- he maybe sends lots of things out. I have never been involved in it.

Q Do you know who drafted either the letter or the attached memorandum?

A Don't know.

Q You don't know who in Khashoggi's organization did this?

A Do not know.

MS. DORNAN: Who would normally do that sort of thing, do you know?

THE WITNESS: I really don't know.

BY MR. KERR:

Q Do you have any knowledge of the role Robert Shaheen may have played in preparing these documents?

A I don't know. I don't think -- he may have been involved, but I don't think so. I really don't know.

Q How did you come into possession of this document?

A I don't know, Khashoggi may have said, you know, I sent this to McFarlane on how to solve the Middle East problem, and I said I have never seen it, so he gave it to me. It is not unusual, okay?

(Discussion off the record.)

BY MR. KERR:

Q When the document came into your possession, you did review it, I take it; right?

A I skimmed it, yes.

Q The letter to McFarlane says that Khashoggi has had a number of approaches from Iranian officials. Do you know what he is referring to in that regard?

A I can only think of Ghorbanifar. He may have met other people through Ghorbanifar which I don't know about.

Q He says that I have managed to channel them, these apprcaches, through a single senior individual who is in

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charge of Iranian intelligence in Western Europe. Do you know who he is referring to there?

A I think he is referring to Ghorbanifar, but I'm not sure.

Q Was it your understanding that Ghorbanifar was in charge of Iranian intelligence in Western Europe?

A Well, way after the fact, I heard somebody, you know, mention that he may be, you know, involved with Iranian intelligence, but I don't know.

MS. DORNAN: Ghorbanifar never made such claims?

THE WITNESS: No.

MS. DORNAN: Or hints?

THE WITNESS: No, but I felt he was important. He was always on the go. Always meeting in Paris with mullahs and people from Iran.

BY MR. KERR:

Q All right, do you know how Khashoggi arranged for delivery of this material to McFarlane?

A Do not know.

Q All right, do you have any knowledge of the response McFarlane made to the material once he received it?

A I think in the hearings I think he gave it to

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somebody to read. That's the only thing I know about it.

Q All right, as of 1985, did you have any knowledge of McFarlane's response to this material?

A None whatsoever.

Q I take it from what you have said you played no role in the drafting of this material yourself?

A None whatsoever.

Q As of the trip to and from Tel Aviv with Ghorbanifar, what discussions, if any, had you had with Ghorbanifar about the role he could play in trying to obtain the release of American hostages?

A Never came up.

Q As of the time of that trip, what discussions, if any, had you had with Ghorbanifar about munitions, U.S. munitions going to Iran?

A Never mentioned.

(Discussion off the record.)

MR. KERR: We'll break now and get together at quarter of 1:00.

(Whereupon, at 11:55 a.m., the deposition was recessed, to be reconvened at 1:00 p.m. this same day.)

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AFTERNOON SESSION (1:00 p.m.)

Whereupon,

ROY FURMARK

resumed the stand and, having been previously duly sworn, was examined and testified further as follows:

EXAMINATION (Continued)

BY MR. KERR:

Q Let me pick up the events as you recall them. After your return to Paris from Tel Aviv, what is the next event that you recall with regard to the Iran arms initiative?

A I remember being in Marbella on Khashoggi's yacht, and Ghorbanifar came aboard and was excited, but he said he needed $1 million to make a prepayment to get the transaction going.

Q All right, now let's try to place that in time. When would that event have occurred?

A The end of July, I think.

Q And you base that thought on what? Your travel records?

A Yes, because it was right after Khashoggi's birthday party, and I'm not sure how many days after.

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Q How many other conversations did you have with Casey after the 24th?

A He called me once to get the name of -- called me at home to get the name of the German company which has its technology for cogeneration for atmospheric fluidized combustion burning, and he may have called me one time to -- or maybe it was the same conversation, the president was making a statement.

Q Anything further said in those conversations about the money problem?

A No. It was just, you know, very short.

Q Did you have any other occasions to meet with or talk to Mr. Casey before his death?

A No, I don't think so. The last time I saw him was on the 24th. Other than these telephone conversations, I did not go and see him.

Q Did you have any further conversations or meetings with anybody else from the CIA?

A Allen called me. I think it was in '86.

Q '86 or '87?

A '87, I'm sorry, and I was up in Nova Scotia, in Nova Scotia seeing some people, and I returned the call and

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he said one of the CIA overseers or whatever the boarders that oversees it wanted to talk to me, so he wanted to let me know that he was going to call me; and I said I would be happy to talk with them. He said they want to know about your dealings with the CIA. But I never got a call from that person.

Q You never got a call from that person or entity?

A No. When talking with Allen, I commented on the Senate intelligence report, which quotes me as saying that the ~~known~~ notes went to Nir, you know, and he said he wondered where that came from. He said he gave the notes to Cave because he had to go on a trip and Cave did the report, but he said he doesn't remember that, you know, in the meeting on the 22nd, and that was all. I think someone has been in the hospital or something, and that was the end of the conversation and I haven't heard from him since, and I haven't called him and no one from the overseer board contacted me.

Q Any other contacts with CIA personnel?

A No.

Q Now, in December 1986, you met with Khashoggi to review the financial transactions in order to help you prepare for your testimony before the House Intelligence Committee. Do you recall that meeting?

A Yes.

Q What did you review with Khashoggi at that time?

A Well, I had been to the Senate beforehand.

Q Right.

A The Canadian ambassador wanted to see me, and I was going down to see the House Intelligence Committee, and so I said, I told him I said I will come and see you when I am finished, so I told Khashoggi I'm going down to see the Canadian ambassador. You have to tell me about the role of the Canadians, exactly what it is, and he then told me that whereas with the Senate intelligence, we talked about the Canadian investors, when I went to the House intelligence, I stated what Khashoggi had just told me the day before or two days before or whatever, that the Canadians had facilitated the loan for him through a Cayman Island financial institution without giving me the name of the institution, and that Miller and Fraser were working with him, they had facilitated the loan, which he had put up collateral of a company which had shares in Barrick and Burke, and the collateral was worth 25 million when it was put up and now it

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was worth about 35 million. That's what I told the House and the Canadian ambassador.

Q When you used the word "facilitate," what did you understand that to mean?

A Help arrange, you know, arrange for the loan, do the paperwork, whatever. Facilitate. Get the loan for him. That's the word he used, facilitate.

Q It was or was not your understanding that they had utilized monies under their control to make this loan?

A He just said that they facilitated the loan. Then later, okay, he said that they were handling money for a Saudi group, which that money was used for this loan.

Q Later being when?

A In '87.

Q When in '87?

A You know, about the time of the article in the New York Times.

Q That would be February of '87?

A Is that the date? Yes.

Q And give me a little more detail, what did he tell you at that point about the Canadian -- Fraser and Miller were doing what?

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A They were working for or they controlled money or did something for a Saudi group of friends of his. It was that money which was the money that was used.

Q That money being the $10 million?

A Right.

Q All right. Did he give you any indication of what entity had actually put up the money?

A No.

Q And you continued to understand that the collateral for the loan was the Barrick equity?

A It was Barrick, but through another company. I forget the name of the company.

Q I understand.

You met Mr. Fraser for the first time in March of 1987?

A In Paris, yes.

Q What were the circumstances that caused you to meet Fraser?

A I was at Khashoggi's apartment, and he was there having a meeting, and I was introduced to him and I said two words to him.

Q You didn't have a chance to chat with him?

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A No.

Q How about Mr. Miller?

A I met him a few times at Khashoggi's apartment.

Q Have you had any discussions with him about his role in these transactions?

A No.

Q None?

A No.

Q Did anyone --

A He has always asked me, okay, where did I get his name from, and I said, Mr. Khashoggi. Who authorized, you know, for me to use Miller and Fraser's name, and I told him. He has asked me that a few times.

Q All right, I think we're almost done. Let me pick up a couple other things.

A The collateral he put up was in another company that owned shares of Barrick.

(Discussion off the record.)

BY MR. KERR:

Q An article appeared March 10, 1987, out of Paris by the New York Times of an interview that you and Mr. Khashoggi gave to a New York Times reporter. Do you

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recall that interview?

A I didn't give an interview.

Q Were you present when the interview was given?

A Yes.

Q And you did make comment from time to time to the reporter?

A No.

Q You just sat there?

A It was not for me to make any comments to what Mr. Khashoggi was saying.

(Discussion off the record.)

BY MR. KERR:

Q Let me ask you some things that supposedly happened during the course of that interview. The article says Mr. Khashoggi said at the interview that he masterminded a deliberate deception of Mr. Casey last fall when Mr. Casey was still head of the CIA, by inventing a group of angry Canadian investors who were supposedly threatening to disclose the administration's secret arms sales to Iran unless they were immediately reimbursed for a $10 million contribution to a $15 million arms sale to Iran last May. Did Mr. Khashoggi make that statement at the interview?

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A I think Mr. Khashoggi said that the Canadians were not the investors but that a Saudi friend, it was his money that was used through the Canadians.

Q Did Khashoggi tell the reporter that Mr. Casey had been deliberately misled?

A I don't recall those words.

Q Did Mr. Khashoggi tell the reporter that there were in fact no Canadian investors?

A I think he said it was -- that they were not investors, it was his Saudi friend whose money was used, but they were used through the Canadians.

Q All right, so your understanding of what was being told to the reporter is the Canadians were in fact involved?

A Right.

Q But in the capacity of being --

A Facilitators.

Q Facilitators and managers of the money of this Saudi investor. Who was the Saudi investor?

A I don't know.

Q You have never been told?

A Never been told.

Q Now the interview, according to the newspaper, was

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set up by you.

A Well, Safire, who I know from, you know, John Shaheen days and Bill Casey days, had called and wanted to have an interview with Khashoggi, and Khashoggi said sure, have him come over, and he arrived and Adnan met him.

Q You were there?

A Yes.

Q The thrust of the story is that Khashoggi had engaged in a scam, a deception, crudely put, a blackmail attempt using you on Casey. Was that the story that Khashoggi was trying to put out at that time?

A I don't believe that when I went to see Casey that what he was telling me was nothing but the truth, because he was under unbelievable pressure. The Canadians, you know, had the collateral and they were, you know, trying to get paid; whether they were acting on behalf of somebody, I only learned that when I went to visit the Canadian ambassador. Now I have learned that it was a Saudi, the source was from a Saudi friend of his through the Canadians.

Q Is it your understanding today that Mr. Khashoggi had indeed been threatened with a lawsuit by these Canadian investors in October, November of 1986?

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A I believe that. I believe that he was under great pressure.

Q No, I'm not talking pressure. Had a lawsuit been threatened?

A He told me.

Q Does that continue to be his story?

A He has -- his position today is that with all of the hearings going on, that the truth will come out and that he will get his money back.

Q Okay --

A And he has I think since refinanced the $10 million loan. I'm not sure if he has done it completely or partially or what, but the pressure is off.

Q We have deposed Mr. Fraser. He denies any involvement whatsoever with a loan related to the Iran arms transaction. The only basis you have for believing Mr. Fraser to be involved, I take it, is what Mr. Khashoggi has told you; is that correct?

A Yes.

Q You have no independent knowledge of that?

A No independent knowledge. Other than I think Ghorbanifar knew about their involvement.

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Q And related their involvement to you?

A Yes I think so, yes. I mean --

Q Ghorbanifar's knowledge in all likelihood is based on what Khashoggi told him; right?

A Somebody froze the account.

Q He told you that somebody froze his account; is that right?

A Yes.

Q He told you the Canadians had done it?

A That's right.

Q You yourself don't know whether his account was ever frozen; is that correct?

A Whatever I have been told -- I'm trying to give you everything I know, same thing I did with the CIA when I visited with them, everything I know. I was, as somebody said, a messenger. I was trying to, you know, assist my government in everything I knew that could help them in this transaction.

Q All right, when was the last time you spoke with Mr. Khashoggi?

A I spoke with him today.

Q Did you speak with him regarding matters you and I

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have discussed today?

A No, I told him I'm going down and I told him that I don't have a lawyer, and he said, well, you know, you've got nothing to worry about. Just tell them everything you know. You don't need a lawyer.

Q Did you and he discuss anything about the substance of your testimony?

A No, definitely not. Definitely not.

Q In preparation for today's testimony, did you discuss the Canadians with Mr. Khashoggi?

A No.

Q Have you had occasion to be interviewed by the independent counsel or appear before the grand jury that the independent counsel is utilizing?

A No, I spoke with somebody at independent counsel and they said they just wanted to have the bank statements, show what happened to the money that I got from Mr. Khashoggi. They didn't know about the money from Ghorbanifar.

Q Okay, with regard to the independent counsel then, the only conversations you have had with him relate to these bank statements; is that right?

A That's all.

Q Have you been interviewed by the FBI on these matters?

A No.

Q Now, apart from the $60,000 payment from Ghorbanifar that we have looked at earlier today, have you ever received any other monies from Ghorbanifar?

A No.

Q And apart from the $80,000 plus payment and the $8000 expense reimbursement from Khashoggi, are there any other monies you received from Khashoggi in 1986-87?

A I don't believe so, but I will double check it. But I don't believe so.

Q How about this year?

A No, I don't believe so. Off the record.

(Discussion off the record.)

BY MR. KERR:

Q I understand. To make things as clear as I can, you do not attribute any money you received from either Ghorbanifar or Khashoggi at any time to the Iran arms transactions; is that correct?

A Ghorbanifar, you saw where I got the money from.

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Khashoggi sent me the money. The fact that it may have come from the transaction, I don't know where he got the money from.

Q But there is no relationship between any payments that you have received from Ghorbanifar and Khashoggi and your involvement in the arms transaction?

A Definitely not.

Q Do you have knowledge of the Canadians Fraser and Miller making any effort to get Khashoggi to change, modify or otherwise vary his story about the pressure that they brought to bear on him?

A I don't know.

Q Khashoggi has never discussed that with you?

A No.

Q You are aware, are you not, of an interview that Manny Floor gave a series of Midwestern newspapers about a trip to the Cayman Islands in March of 1986?

A I never knew he went to the Caymans.

Q Did either Mr. Shaheen, Robert Shaheen, or Mr. Khashoggi ever talk to you about their reaction to Floor's statements in the newspaper?

A Never.

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Q You are not familiar with expressions of dismay or disappointment that Mr. Shaheen made to Mr. Floor after that story was published?

A No, no, but off the record, he is always attacking anybody, you know.

Q Robert Shaheen is?

A But I don't know about what was in the press, and I have never seen, never heard anything about it.

Q The reason I raise it is that story said quite bluntly -- and we've since deposed Mr. Floor -- that Fraser and Miller were in the Cayman Islands, that the 10 million was loaned at that time, specifically for the Iran arms transaction, and Mr. Shaheen apparently reacted unhappily to that story once it came out, but that has not been discussed with you?

A I have never heard it before this time.

Q You were interviewed by the Royal Canadian Mounted Police?

A When I met with the Canadian ambassador, they came in and asked me lots of questions.

Q Do you recall telling them anything different from what you have told me today?

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A None whatsoever.

Q Did they ask you anything different from what I have asked you today?

A They had a list of names and companies which they asked what I knew about, and most of them I never heard of.

Q All right. Have you had any connection with Vertex?

A No.

Q You have not?

A None.

Q Have you had any connection with any entities owned by Miller or Fraser?

A None.

Q Has Khashoggi offered you any monetary reward if your efforts to obtain repayment of this money came to fruition?

A Well, he once said when I get the money, I'm going to give you a nice bonus.

Q Did he put a percentage or price tag on the bonus?

A No, he said at least count on a hundred thousand, but I hope he gets the money back.

Q And as to the accommodation that he has reached

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with the Canadians or whomever, you don't know the details of that accommodation?

A No.

Q Give me one minute and I think we can get you get out of here.

(Discussion off the record.)

BY MR. KERR:

Q Have you had any dealings with Euro-Commercial?

A No.

Q You have not?

A No.

Q Are you familiar with the company?

A I have just read in the press.

Q Apart from Casey and the other CIA folks that you had discussions with, did you discuss these matters with any other U.S. government official?

A No.

Q No?

A No.

Q Now, we asked you to produce certain documents to us. Am I correct that you have produced all documents that were responsive to the subpoena?

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A Yes.

MR. KERR: Okay. I think we're done.

(Whereupon, at 4:35 p.m., the deposition was concluded.)

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CERTIFICATE OF NOTARY PUBLIC & REPORTER

I, KATHIE S. WELLER, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Kathie S. Weller
Notary Public in and for the
District of Columbia

My Commission Expires NOVEMBER 14, 1989

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July 1, 1985

Dear Mr. McFarlane:

Since the early part of this year, I have had a number of approaches from Iranian officials who, although they do not admit to being disloyal to their government, believe that it is being forced into policies which are taking their country into even deeper chaos than it is already in. For reasons which will be clear to you once you find time to read the attached paper, I have not gone as far as I could have gone in the development of these contacts, but I have managed to channel them through a single senior individual who is in charge of Iranian intelligence in Western Europe.

The remarks of this individual begin on page 33, following an explanatory note by myself on page 32. They consist of a translation (from French into English) of a report he gave me explaining his conviction that the USG is "profiting" from the present situation in Iran, and the Iraq Iran war; a report (translated from Farsi into English) outlining the current political divisions in Iran; an abbreviated transcription of a taped conversation he had with me on the subject of how he and his colleagues are now in desperate need of "outside help" which must come from one such as myself rather than from the CIA or some other Western intelligence agency. These papers I would treat as "Confidential" according to your government's system of security classification. The others in my possession, which I will convey to you in the event you find interest in the ones I now enclose, should be regarded as TOP SECRET, and shown to others in your government on a strict "Need to Know" basis.

[redacted] Declassified/Released on 10 FEB 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

As for blue bound booklet as a whole, I have put it together, with the Iranian materials (Part III) as part of it, because I would not want you have you read these materials except in a context wherein I have an opportunity to explain the premises which underlie my present thinking. There is a question here of perspectives, and you will [illegible]eciate that my own, rather than those of the Iranians, are the [illegible] which determine what I will and will not be willing to do in [illegible]ing the role which they envisage for me.

While I am at it, let me say that I have followed from afar your own role in your government's current crisis. As you will see from the attached paper, I am not entirely in agreement with it, but I do admire the competence you are showing as you apply it.

With my very best wishes, I am

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Sincerely yours,

Adnan M. Khashoggi

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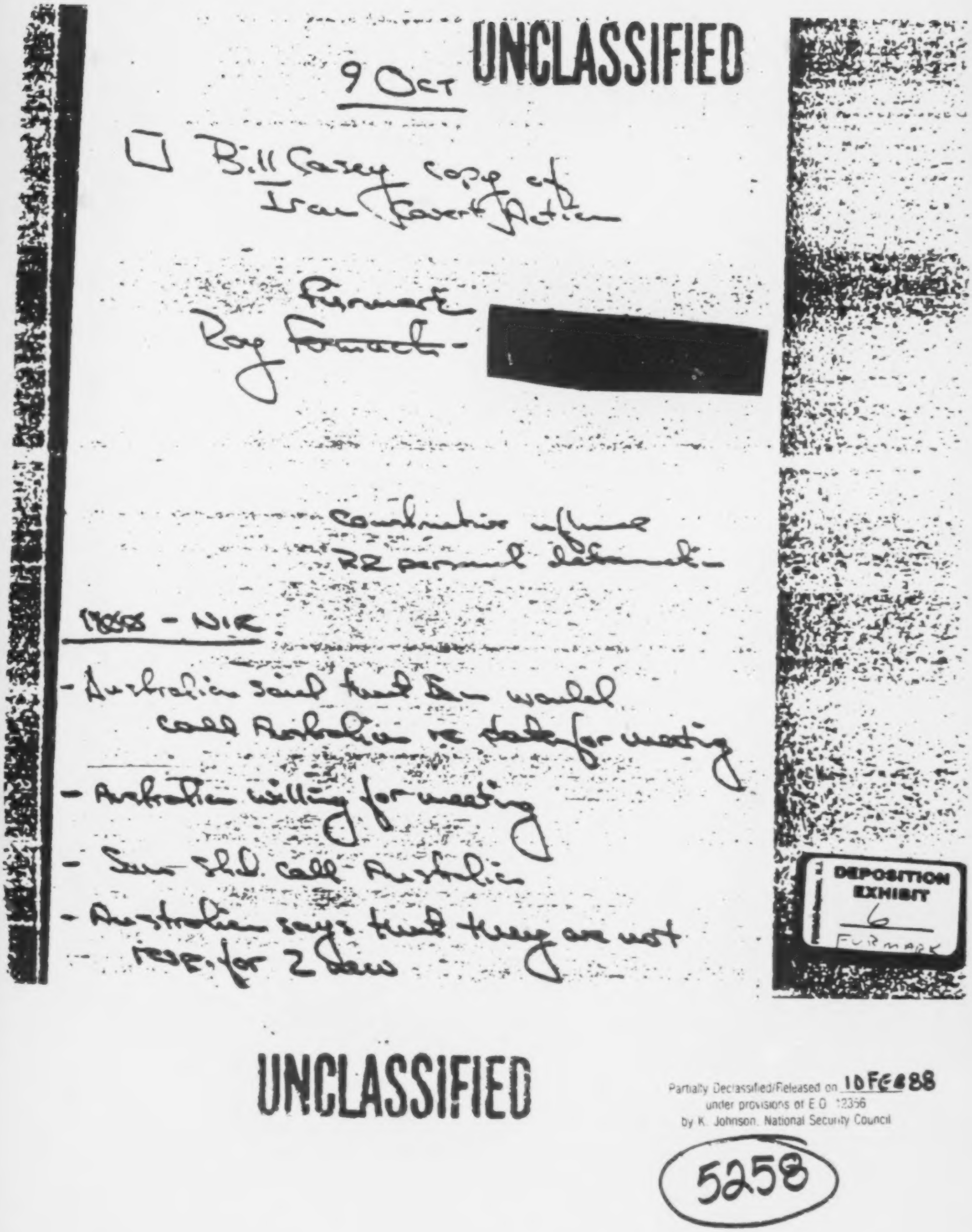
DEPOSITION EXHIBIT
3 7-23-87
FURMARK



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9 Oct

☐ Bill Casey copy of
Iran Covert Action

Roy ~~Formark~~ Furmark - [redacted]

confirmation of these
RR personal statement -

1858 - NIR

- Australian said that Sam would call Australian re date for meeting
- Australian willing for meeting
- Sam shd. call Australian
- Australian says that they are not resp. for 2 days

DEPOSITION EXHIBIT
6
FURMARK

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by K. Johnson, National Security Council

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ROY M. FURMARK
200 HICKS STREET
BROOKLYN, NY 11201

February 18, 1987

Senator David L. Boren
Chairman
Senate Select Committee on Intelligence
Washington, D.C. 20510

Dear Senator Boren:

The following sentence which appeared in the Senate Select Committee on Intelligence - Report on Preliminary Inquiry - "According to the memorandum, Furmark also presumed that $2 million of the $8 million paid by the Iranians to Ghorbanifar went to Nir, as agreed to at a meeting among the financiers, Ghorbanifar, and Nir in May." is not true and was never said by me. I know of no meetings between Financiers (Khashoggi), Ghorbanifar, and Nir in May or at any time in 1986 and was never told by anyone of any such meeting(s).

I have always stated that Mr. Khashoggi was paid eight million dollars by Mr. Ghorbanifar after he received the funds from the Iranian Government in the summer of 1986 and that Mr. Khashoggi is still owed 10 million dollars. This was stated by me in my meetings with Mr. William Casey, Mr. Charles Allen and Mr. George Cave. Furthermore I testified to these facts before the Senate and House Intelligence Committees.

I was never asked in the Senate or House Committee hearings about the above quoted sentence. Had I been asked by the Senate Committee I would have flatly denied ever making such a statement which to the best of my knowledge is not true. Furthermore, Nir was never mentioned in the October 22, 1986 meeting.

I am surprised that I was not contacted about this sentence prior to publication in view of my testimony to your committee.

I would greatly appreciate it if the Committee would review this matter and make the appropriate revision to the report.

Very truly yours,

Roy M Furmark

Roy M. Furmark

~~Partially Declassified~~/Released on 11 FEB 88
~~under provisions of E.O. 12356~~
by K. Johnson, National Security Council

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DEPOSITION
RICHARD B. GADD

Friday, May 1, 1987

Select Committee to Investigate
Covert Arms Transactions with Iran,
U.S. House of Representatives,
Washington, D.C.

The deposition convened at 2:45 p.m. in Room 2226, Rayburn House Office Building.

Present: Kenneth A. Lazarus and Daniel Q. Grief, counsel to Mr. Gadd; David Faulkner, Investigator, Senate Select Committee; Kenneth R. Buck, Assistant Minority Counsel, House Select Committee; Ken Ballen, Associate Counsel, House Select Committee; and Donald Remstein, Investigator.

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COPY NO. 2 OF 3 COPIES

TOP SECRET

Whereupon,

RICHARD B. GADD

having been first duly sworn, was called as a witness herein, and was examined and testified as follows:

MR. BALLEN: THe witness has been worn. Go ahead.

MR. LAZARUS: For the record, I would like to, number one, indicate that Mr. Gadd's testimony here today, as well as previous interviews conducted by the staff beginning on the day when he was first granted immunity, have been compelled within the meaning of the First Amendment, and that I have been advised, which I would appreciate your corroborating, that he has been under subpoena since well before that time, and since the date of the original subpoena has been complying with that compulsory process, and if we could introduce the subpoena into the record.

MR. BALLEN: I don't have the subpoena with me.

MR. LAZARUS: If you would merely corroborate my statement.

MR. BALLEN: Right. What I would like to say is that this has been done pursuant to an order signed by United States Chief District Judge Aubrey Robinson compelling Mr. Gadd testify under Section 6005(b) of Title 18, United States Code, and will make the order or a copy thereof exhibit number one.

(Whereupon, the document referred to was marked for identification as Gadd Deposition Exhibit 1.)

MR. LAZARUS: The second point I would like to make for the record is that although this is not a judicial proceeding, and I am not aware of your procedures, I would like agreement that we will conduct the deposition in terms of future use of the deposition as if it were being conducted under the Federal Rules of Civil Procedure, so that save for questions which might involve some privilege, attorney/client privilege, I will not interpose any objections, but that for future purposes I would reserve whatever rights as to the form of the question or as to whether or not the relevance of the question or other objection that might be lodged.

MR. BALLEN: That would be fine. Let's proceed.

The rules of the committee provide in terms of any future use of the subpoena that any objections as to questions posed today you can raise with me, and if they can't be resolved, they have to be referred to the Chair ultimately.

MR. LAZARUS: Would you explain that to me again?

MR. BALLEN: Since the procedure of the committee, if there is an objection to a particular question -- why don't we proceed today. If you object to a question, we will not ask it today. You will raise your objections.

MR. LAZARUS: For purposes of future proceedings, I don't want to interpose at this point in time, I don't think it would be fruitful to interpose objections that go to the form of the question. Indeed, I don't know whether or not I have a right to interpose such objections here.

I would just like to make that point on the record for purposes of any future proceeding. My point with respect to Mr. Gadd's answers before this committee that I do not want to instruct him to answer in any way that is confining, in the sense of providing adequate information to you.

Normally, questions might be posed that would require a yes, no or I don't know answer. I don't want to stifle the proceeding and allow you to have a free discourse with Mr. Gadd, and I just want to make that a matter of record.

The third point that I would make is I am advised by the reporter that you are not authorized to provide me with a copy of this record, but that Mr. Ballen has indicated that I will be provided by him a copy of the record.

MR. BALLEN: Yes.

MR. LAZARUS: That is all I have.

MR. BALLEN: With that, let's proceed.

EXAMINATION

BY MR. BALLEN:

Q Do you want to give your full name for the record?

A I am Richard B. Gadd, g-a-d-d.

Q Mr. Gadd, how long did you serve in the Armed Forces of the United States?

A Slightly over 20 years.

Q And during your service in the Armed Forces, did there come a time when you specialized in covert operations?

A Yes.

Q And did there come a time during your service with covert operations that you met General Secord?

A Yes.

Q And how did that come about?

A The first meeting with General Secord was in connection with the Iran hostage rescue attempt.

Q And when would that be?

A I believe it was in the spring of 1980, but I am not certain.

Q And during your time after first meeting him, did you work with him closely while you were in the service?

A Yes.

Q In covert operations?

A Not in covert operations. I worked with him closely on the Iran rescue attempt.

Q Which branch of the service were you in?

A United States Air Force.

Q And when did you retire from the United States Air Force?

A I believe it was September the first, 1982.

Q After you retired from the United States Air Force, did you continue to work as a private citizen assisting U.S. Armed Forces in covert operations?

A Subsequently, I assisted the United States Government in those types of operations, not necessarily covert.

Q Classified operations?

A Classified operations.

Q And did you form your own companies shortly thereafter?

A Yes.

Q What were they?

A The first company was a subsidiary of Vinnell Corporation, known as Sumarico. That company was eventually subsumed by the parent corporation which we formed known as American National Management Corporation.

Q And did American Management have subsidiary corporations?

A Yes, Sumarico was subsumed as a subsidiary and two other subsidiaries were subsequently formed known as

Eagle Aviation Services and Technology, Inc. The other is Air Mach.

Q Sir, were you the sole stockholder of these companies?

A I eventually became the sole stockholder.

Q When did General Secord retire from the service, to the best of your knowledge?

A To the best of my knowledge, it occurred in 1983.

Q And from 1983 until approximately September 1985 what relationship, business relationship, did you have with General Secord?

A General Secord leased from me office space in our office complex. We also provided staff assistance to his business.

Q During that period of time, namely, from 1983 until September 1985, did General Secord tell you he was working for the United States Government in any capacity?

A General Secord mentioned on several occassions that he was a consultant to the National Seucrity Council or the White House, and also a consultant to the Department of Defense.

Q And did he at any time possess any special knowledge which allowed you to corroborate his statements?

A Would you repeat that question?

Q Let me ask it a different way. Did he indicate to you at any time knowledge of your classified activities with the United States Government.

A Yes.

Q And from that did that corroborate the fact to you that he was, in fact, an adviser to the Government in some capacity?

A Yes.

Q Sir, beginning in or about January of 1985, did General Secord ask you to arrange for the charter of aircraft to deliver munitions from Lisbon, Portugal to Guatamala, Central America?

A Yes.

Q And how did Secord describe the purpose of these charters to you?

A They were to be the, the carrying -- or the munitions were to be provided in support of the Contadora in Honduras.

Q And when you say the Contadora, you mean the anti-Sandinista forces fighting against the Sandinista regime in Nicaragua?

A Yes.

Q Did he describe this operation to you as clandestine, covert or anything to that effect?

A He indicated to me that this type of activity should be conducted very discretely.

Q And did you subsequently charter the aircraft?

A I arranged for the charter. I did not charter it.

Q And who did you arrange to charter the aircraft with?

A Southern Air Transport.

Q Sir, in or about March of 1985, did you arrange for another charter from Lisbon to Guatamala?

A I am uncertain as of the date. I would place that as approximately correct.

Q And you did arrange for another charter?

A That is correct.

Q In 1985?

A Yes.

Q In 1986, did you continue to charter aircraft for General Secord, again, to haul munitions from Portugal to Central America, arrange for the charter?

A Yes.

Q And how many charters did you arrange for in 1986, to the best of your recollection?

A I think it was five additional charters in 1986.

Q Let me just ask a clarifying question. Was the five charters overall, two in 1985, three in 1986, or five additional to the two in 1986?

A I would place it at five to six total between 1985 and 1986.

Q For the charters both in 1985 and 1986, what kind of munitions did they contain?

A I believe it consisted of ammunition, 7.62, explosives, 40 milimeter shells. and weapons.

Q Do you recall what any of the weapons were?

A No.

Q And who informed you as to the type of munition that was aboard these charters?

A General Secord.

Q Were these articles of East European or Soviet-type manufacture, to the best of your knowledge?

A I believe some were East European manufacture.

Q Sir, what was the weight carried on the planes, of the munitions in the charters?

A Approximately 85,000 to 95,000 pounds per charter.

Q On at least one of the shipments, did you know who supplied the arms?

A By individual or company.

Q Company, or individual, if you know.

A There was one company in Canada, I believe it was connected with supplying the munitions.

Q Do you recall the name of the company?

A Something to the effect of Transamerica Arms, or related to that name, from Canada.

Q Did you call them in reference to an end user certificate?

A I had a discussion with the President, who I believe to be the President of the company, and I do not remember the specific circumstances, whether it would involve end user certificate or other documentation.

Q And who had asked you to call him?

A General Secord.

Q And what was the result of the conversation?

A For him to deliver to us documents to pass on to the air carrier.

Q Did Secord pay you a commission for arrangement for the charters that you have described?

A Secord did not.

Q Who did?

A Southern Air Transport.

Q And to your knowledge, who paid Southern Air Transport?

A I directed -- correction on that. I informed General Secord of the price of the charter, and passed on to him bank transfer information for transfer of funds.

Q To Southern Air Transport?

A To Southern Air Transport.

Q And on the first two charters in 1985, do you know if Southern Air subcontracted those.

A Yes, they did.

Q To who?

A Arrow Air.

Q Sir, in or about September 1985, did General Secord contact you in reference to setting up an air re-supply operation?

A Yes.

Q What did he say in reference to that?

A First, verbally to describe how that could be done. Subsequently he asked me to develop a plan.

Q Did he specify to you that it was a plan to drop weapons and other supplies in the area of Central America?

A Yes.

Q Did you draw up such a plan?

A Yes.

Q And who did you give it to?

A General Secord.

Q Did General Secord tell you to whom he was taking the plan for approval?

A General Secord said he was taking it to the White House.

Q As a result of the plan, did you investigate and subsequently discuss with General Secord the various types of aircraft necessary to conduct this operation?

A Yes.

Q And which planes did you discuss with him?

A C-7 Caribou, C-123, Cara-212, and I believe, I think C-47.

Q And did you settle on any particular plane as a result of your discussions with General Secord?

A Yes.

Q Which plane was that?

A Originally the C-123.

Q What about the Caribou?

A When we were unable to arrange for the purchase of C-123s, we changed to C-7 Caribou.

Q Do you know whether Secord presented this option of the planes to anyone at the White House?

A He indicated to me that the White House approved that choice of aircraft.

Q Did Secord tell you that there would be an opportunity for you to profit from your involvement in this re-supply operation?

A Ultimately, yes.

Q And how did he tell you that?

A That we would be given the opportunity to set up the air operation in Central America, and to charge an overhead plus fee.

Q Did he discuss with you the fact that you could eventually buy a share in the ownership of the aircraft?

A Yes, as part of that building.

Q What, if anything, did General Secord tell you about the covert nature of the operation?

A Covert is not the correct word.

Q Okay. Why don't you tell me what would be.

A I would say more accurately confidential air activity to support or provide air support to the contras.

Q Did he tell you why it had to be confidential?

A It was implied that this kind of operation should be kept very low key and not be known to the general public.

Q Specifically, did he tell you it should be kept secret to protect the sponsorship of the United States Government in this operation?

A I was told to protect both his name and the White House. That was the implication.

Q And sir, did you subsequently hire Edward DeGaray in this operation?

A I did.

Q And did you explain to General Secord that DeGaray would be useful as a cut-off?

A Yes.

Q To protect the identity of the Government and General Secord?

A Correct.

Q When I say the identity of the Government, the sponsorship of the United States Government.

A Ray was hired to conduct the operation, and by using Garay, Garay would not know that General Secord or the United States, or the White House was involved.

Q Sir, did you contact Southern Air Transport to purchase and help maintain the aircraft?

A Yes.

Q And did you ask them to acquire a shell company in Panama to hold title to the aircraft?

A Yes.

Q Did they agree to do so?

A Yes.

Q And what was the name of the company they acquired?

A I think the name was Amalgamated Consolidated Enterprise, also known as ACE.

Q And was there a plan between you and Southern Air Transport?

A Yes.

Q To share ownership of Ace?

A That is correct.

Q What would be the ownership percentage?

A Fifty percent for Southern Air Transport, and

50 percent for my companies.

Q And in addition to that, was there any plan to use the aircraft for commercial purposes, for additional revenue and as a cover for the operations?

A Yes. That is correct.

Q And that is what you discussed with Southern Air Transport?

A Yes.

Q Sir, in or about November 1985, did you identify four C-123 aircraft for purchase, possible purchase, I should say?

A I believe the number was three aircraft.

Q And where were these aircraft located?

A Venezuela.

Q The funds for the aircraft that you were to purchase, who was to furnish those to you?

A General Secord informed me that those funds would be provided by private -- correction, donation.

Q And that you would inform him of your need for a fund, for money before receiving the money; is that correct?

A I would inform him of the cost of the purchase.

Q And he would effectuate the transfer of the funds to you?

A Yes. No. Not to me.

Q To whom?

A To the seller.

Q And who would the title to the aircraft revert?

A Initially the title to the aircraft would revert to ACE.

Q And the plan was that you were to share an ownership interest in ACE?

A That is correct.

Q So that eventually the title to those aircraft when this operation would be complete, what was the plan with respect to that?

A The original concept was the aircraft would be titled to ACE, and that ACE would buy out equity in the aircraft.

Q You stated the aircraft were located in Venezuela. Who owned the aircraft?

Q Venezuelan [redacted] Air Force.

Q Had you at this time met Oliver North, Lieutenant Colonel Oliver North of the NSC staff?

A Not in this time frame.

Q Did there come a time when you did meet him?

A Yes.

Q And he provided assistance with respect to the Venezuelan aircraft?

A Yes.

Q And what assistance did he provide?

A I was told that he had sent either a letter, a message or had made a telephone call to the embassy, the American embassy in Caracus, Venezuela.

Q And what was the effect of that phone call?

A To work, to attempt to work with the Venezuelan Air Force in effecting the sale of those aircraft.

Q Did he read or tell you that? "He" being Oliver North.

Let me just ask it this way. Did Oliver North show you a cable that he had sent to Venezuela?

A I think he read it to me over the telephone.

Q And when you say he read it to you, did he say "This is a cable I am reading"? What did he say to you when he read it to you?

A I believe he described what he was reading as the message that he had sent to the American embassy.

Q Had you met him personally by the time --

A I can't recall.

Q Let me mark something as Committee Exhibit number two. I show this to you.

(Whereupon, the document referred to was marked for identification as Gadd's Deposition Exhibit 2.)

BY MR. BALLEN:

Q Do you recognize that document?

A Yes, I do.

Q How do you recognize it?

A That document was constructed in Venezuela by myself and Mr. William Langton, President of Southern Air Transport.

Q What does it purport to be, or what is it?

A A proffer for the procurement of the C-123 aircraft, owned by the Venezuelan Air Force.

Q At the time you drew up that letter, had Oliver North intervened to assist you in obtaining these aircraft?

A His assistance occurred after this letter was drafted, I think, shortly after.

(Discussion off the record.)

BY MR. BALLEN:

Q Had you met Oliver North at the time he offered his assistance on the Venezuelan aircraft?

A I believe so.

Q In or about October 1985 did you attend a meeting with Oliver North, where North asked you to conduct a study to build an air strip in Costa Rica?

A Yes.

Q And did North have with him a map of Central America?

A Yes. There was a map. I am not sure who actually had it in their possession.

Q Did North point out to you where in Central America the air strip was located?

A Yes, to be located.

Q And who else was present at this meeting?

A General Secord, an associate of Colonel North, whose name I believe is Olmstead --

Q Did Colonel North introduce you to Olmstead?

A Yes.

Q And?

A And I believe Albert Hakim was also at the meeting.

Q Where in Costa Rica did Colonel North point out that the airstrip was to be located?

A I would say it was approximately 20 nautical miles south of the southern Nicaraguan border, on the Pacific Coast.

Q Did North say anything with reference to Olmstead and this airstrip?

A Yes.

Q What did he say?

A He informed me that Olmstead had been at the location and had surveyed it, taken pictures, and dealt with the locals in the area.

Q And was it indicated at the meeting by Oliver North or anyone else that the permission of the Costa Rican

Government had been obtained?

A Yes.

Q And what is your best recollection of who said what on that?

A That they were working with the Costa Rican Government to get final approval to build the air strip.

Q Did Oliver North say that?

A I don't recall who said it.

Q Could it have been Olmstead, North or Secord?

A It could have been either one of the three.

Q Were you subsequently hired or did you generally agree to conduct the study?

A Yes.

Q And did you hire personnel to draw up a plan to build the airstrip?

A Yes.

Q And who was to pay you for the airstrip, and your work?

A General Secord stated that he would arrange for that payment.

Q And did you subsequently construct the airstrip through one of your subsidiaries, EAST?

A We supervised the construction of the airstrip.

Q And who did you invoice for these? Let me show you Exhibit 3, which would be a series of documents. On the first page of the documents are what looks like wire transfers, on the second page, an invoice from East, Inc. to Lake Resources, Inc., and these invoices begin on January 23, 1986, and run approximately to the end of the year, the last one being December 5th, 1986. Mr. Gadd, looking at those documents, do at least some of those documents represent invoivces?

(Whereupon, the documents referred to were marked for identification as Gadd Deposition Exhibit 3.)

THE WITNESS: Yes, some of these documents relate to the invoices submitted to Lake Resources, Inc. for construction of that airfield.

BY MR. BALLEN:

Q And to whom did you give the invoices for payment?

A General Secord.

Q Did you send them down to the P. L. box in Panama or did you personally deliver them, either yourself or one of your employees, to General Secord.

A That is correct. On some occasions I personally handed them to him. In other cases, the employees of my company handed him those invoices.

Q But they were not sent to Lake Resources in Panama.

A They were not sent to Panama.

Q Sir, could you estimate to the best of your ability what profit you obtained from working on this project?

A Yes.

Q And could you estimate how much profit you had obtained from this activity?

A The construction of the air strip?

Q Yes, sir.

A In terms of dollar amount?

Q Yes.

A I cannot estimate that. What do you mean by profit?

Q Well, you said you were making a profit on it.

A Correct.

Q How were you making a profit?

A Income exceeded expense.

Q That is my question. How much did the income exceed the expense by?

(Discussion off the record.)

(Whereupon, the reporter read the record as directed.)

THE WITNESS: I do not know. However, gross receivables exceeded $100,000 for construction of that airfield.

BY MR. BALLEN:

Q And that was money paid to you through General Secord?

A That was money paid to the company through General Secord.

Q Now, sir, did General Secord and Oliver North also call you in late 1985 in reference to Rob Owen?

A Yes.

Q And did they both tell you -- both being Secord and North -- to speak to Owen about an additional business opportunity in Central America?

A I do not recall which one informed me. However, I was instructed to meet with Rob Owen about additional business opportunities in Central America.

Q And did you meet with Rob Owen?

A I did.

Q And what occurred as a result of your meeting with Rob Owen?

A Rob Owen suggested I contact a Mr. Mario Calero in New Orleans, who was ostensibly in charge of FDN logistics in the United States.

Q And after your contacts with Mario Calero, did eventually you enter into a contract with the United States State Department?

A Yes.

Q And what did that contract involve?

A Air movement of humanitarian supplies from the United States to Central America.

Q And what Government official headed that program?

A The highest official I am aware of was an ambassador, Robert Duemling.

Q Did you ever meet with Ambassador Duemling?

A Yes.

Q And did Oliver North ever accompany you to a meeting with Ambassador Duemling?

A Yes.

Q Could you explain the circumstances of that?

A Oliver North asked me to meet with Ambassador Duemling and his staff at the Nicaraguan Humanitarian Assistance Office, in Rosslyn, to describe our capabilities, to provide this air transportation service.

Q And did you do so?

A And we did so.

Q And do you recall when that meeting occurred?

A I would say that meeting occurred in December of 1985 or January 1986.

Q And did you subsequently pursuant to that contract with the Department of State -- did you get the contract after the meeting, letter of commitment?

A I believe so.

Q Now, sir, did you subsequently perform services under that contract with the Nicaraguan Humanitarian Assistance Office?

A We did.

Q Through which of your companies did you do that?

A Air Mach.

Q Now, sir, in January 1986 did Southern Air Transport finally purchase an aircraft, for your resupply operation?

A Yes.

Q What aircraft did they purchase?

A A C-7 Caribou.

Q And what was the purpose of purchasing this aircraft?

A To deploy the aircraft to Central America, to provide air cargo movement.

Q How was this distinct from the Nicaraguan Humanitarian Assistance Office contract?

A The NHAO contract was to provide air transportation of goods from the United States to Central America. The C-7 Caribou was to move those goods and others within the Central American region.

Q And those goods and others, were the others goods that were intended to be moved munitions and other arms for the contra forces?

A Yes.

Q Now, sir, from whom was the C-7 Caribou aircraft purchased?

A I think the name of the company was Prop Air of

Rouyn, Canada.

Q And how much was it purchased for?

A The first aircraft cost approximately $500,000, with initial spares.

Q Now, sir, was this aircraft going to be titled to ACE according to your original understanding with General Secord?

A The original plan was to title the aircraft to ACE.

Q Did there come a point in time when the original plan changed?

A Yes.

Q And how did that plan change?

A Can we stop for a second?

(Discussion off the record.)

THE WITNESS: There was a meeting that occurred in either January or early February, in which General Secord, Colonel North, Mr. Tom Clines and myself met in a restaurant in McLean, Virginia. At that meeting I was instructed that the title of those aircraft would revert to Udall Corporation.

Q And who was Udall Corporation?

A It is a company that I believe General Secord was associated with.

Q And what was your response when they told you that the plan had changed? That ACE would no longer hold title?

A I made the statement that this was not my original understanding, but relented and agreed.

Q And, sir, to the best of your recollection, do you recall whether or not this meeting occurred after the first aircraft was purchased or before?

A I do not recall.

Q Now, in February 1986, did you help move the aircraft down to El Salvador?

A I assisted with the movement of that aircraft to El Salvador.

(Discussion off the record.)

BY MR. BALLEN:

Q Sir, in December 1985, did you receive an advance for your operating expense for the air resupply operation?

A Yes.

Q And did Oliver North in your presence direct General Secord to furnish you with an advance?

A Yes.

Q And how much did he direct General Secord to furnish you?

A $150,000.

Q How much did you subsequently receive?

A I believe the figure was $100,000.

Q How did General Secord respond when Oliver North directed him to?

A He acknowledged that he would do that.

Q And this was an advance in order to let you start up with the air resupply and the construction of the airstrip?

A Correct.

Q Both activities?

A Both activities.

Q And the air re-supply operation comprehended the movement of munitions as well as other goods?

A In Central America.

Q Now, sir, directing your attention to the winter. After February 1986, did North -- what did North and Secord tell you concerning the necessity of moving arms into the contras at that time?

You had one aircraft down there, correct?

A I was informed that the contras resistance was going very poorly, and that they were in urgent need of resupply.

Q And who told you that, sir?

A Both General Secord and Colonel North.

Q And what did they want you to do?

A They wanted us to develop and sustain an air re-supply capability as fast as possible.

Q And where were you to move arms from and where were you to move them to in Central America?

A Initially to move supplies and munitions within Honduras, and between Honduras and El Salvador.

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Q Sir, did there come a time when Colonel North called you at home and said that Captain Lopez of the FDN needed an immediate shipment of ammunition to him in Aquacate?

A Can you be more precise with that question? I don't recall this conversation.

Q Did Colonel North ever call you at home?

A Yes.

Q Did he ever call you at home in reference to the needs of the Contras?

A Yes.

Q What did he tell you?

A On one occasion, I recall, we should get an L-100 aircraft to El Salvador as soon as possible to effect a resupply?

Q What did he want you to resupply and to whom?

A I don't recall what the load would have been. We did, however, deploy the aircraft.

MR. BALLEN: Can we stop for a second?

(Discussion off the record.)

BY MR. BALLEN:

Q On one of the flights---

MR. LAZARUS: Excuse me.

Are you now beginning a new line of inquiry, or starting on a completely different line of inquiry?

MR. BALLEN: Same line of inquiry. Colonel North calling.

BY MR. BALLEN:

Q Did Colonel North call you one time in reference to NHAO flight?

A Yes. He advised me they had an urgent requirement to move supplies from New Orleans to El Salvador. This would be Nicaraguan Humanitarian Assistance Office supplies.

Q Did you do so?

A Yes.

Q What happened when the crew had that plane down in Central America?

A After they arrived, and off-loaded, or attempted to off-load, they were advised by the FDN representative down there to continue to take that load to Aquacate air field.

Q Did they do so?

A They did so.

Q Did there come a time when Captain Lopez asked them to move ammunition on that plane?

A That is my understanding.

Q Did you subsequently have discussions with the representatives of the Nicaraguan Humanitarian Assistance Office regarding payment for the movement?

A Yes.

Q And the substance was they refused to pay?

A That is correct.

Q Beginning in March of 1986, did flights to transport arms to the Contras inside Central America begin to occur?

A Yes.

Q And who -- what -- where were these flights being conducted?

A There were two types of flights. First was the transfer of munitions and supplies from El Salvador to Aquacate air field.

In addition, operating -- while operating out of Aquacate air field, the crews provided -- performed air drop of supplies to FDN forces within Honduras and also provided training to FDN pilots.

Q Did North or Secord, at that time, mention to you the needs of the southern front?

A Yes.

Q What did each of them tell you?

A I do not recall which informed me that the forces in the southern front of Nicaragua were in urgent need of resupply, of munitions and goods.

Q Did both of them inform you, or one of them inform you?

A I do not recall.

Q What occurred as a result of them informing you of that, of the urgent need of the southern forces for supplies and munitions?

A We considered the C-7 Caribou inappropriate to resupply that type of load and the C-123 in that area, at that time. And I was asked to arrange for Southern Air Transport L-100 to effect that resupply.

Q Did Secord ask you to do that?

A Yes.

Q How did he phrase his request to you?

A That we must -- I must arrange for an L-100 to provide an air drop of those items to FDN forces in the southern front. It was of the highest urgency.

Q Why was it of the highest urgency? Did he specify?

A I believe he stated that they were almost completel out of munitions and other supplies that were critically needed.

Q Did he say how he knew that?

Let me ask you the question: Did he say Colonel North was begging for it to be done?

A I think he mentioned Colonel North informed him of that.

Q What can you do in reference to that, sir? In obtaining the L-100?

A I coordinated with Southern Air Transport to carry out that mission.

Q Do you recall how much they were going to charge for the services?

A It was one air drop, the plan was one air drop and the cost would have been approximately $25,000.

Q Did that mission occur?

A That mission occurred.

Q What happened on the mission?

A It was unsuccessful. They were unable to air drop their supplies.

Q Did they make a subsequent attempt to air drop them?

A Yes.

Q What happened then?

A They were successful on the second attempt.

Q When was this, sir? When did these missions occur?

A The night of, I believe, April 9th, and April 11th, 1986.

Q Do you recall, did they go -- where did they make the drops of supplies and munitions?

A I do not know the precise location. The crews were informed of that in El Salvador. I would place it some 20 to 30 kilometers north of the southern Nicaraguan border in the southeast portion of that country.

Q Sir, directing your attention to later in April, did you fly with Colonel North and General Secord to El Salvador?

A Yes.

Q What was the purpose of the trip.

A I was informed that Colonel North and General Secord were to meet with FDN and UNO heads.

Q Who informed you of this?

A General Secord---

Q I am sorry, I interrupted.

A To meet with FDN and UNO officials to suggest the logistics support of the FDN effort.

Q Did you travel with them?

A Yes.

Q How long did you spend -- where did you travel to in Central America?

A Ilopango air field, El Salvador.

Q How long did you spend with them at Ilopango?

A We were on the ground approximately four to five hours.

Q Did you accompany Colonel North and General Secord when you arrived to their meeting?

A No. They went into a closed-door session in the office of General Bastillo, Commander of the El Salvadorean Air Force.

Q Did they return with you on the Jet Star?

A Yes.

Q What if anything, did they say in reference to their discussion with General Bastillo?

A The discussion -- General Bastillo was in attendance at the discussion, but the discussions were directed at the FDN principal.

Q Did they tell you which of the FDN principals were at the meeting?

A Yes.

Q Who did they say?

A Enrique Bermudez, his chief of staff, I believe was his title; General Bastillo; I believe Colonel Steele was in the meeting from the military adviser group, El Salvador.

Q This is what North and Secord related to you afterwards?

A This is what was related to me afterwards.

Q By whom?

A I overheard a conversation between General Secord and Colonel North while on the airplane, and participated in that conversation~~s~~.

Q During that conversation, did they say that Bastillo and others from the FDN indicated the planes belonged to the FDN, that they viewed the planes as belonging to the FDN?

A Yes.

Q Did North and Secord report that they explained that their opinion was the planes belonged to a private group?

A Correct. A contractor.

Q Do you know whether or not -- what else did they say on that subject?

A Basically the FDN principals explained about the type of support they were receiving.

Q What did they say?

A Essentially that they were the wrong type of aircraft and that they wanted C-130 equivalent -- C-130 or equivalent aircraft as a better choice.

Q How did General SEcord and Oliver North explain their response to that?

A General Secord stated in this conversation that he tried to explain to Enrique Bermudez and the others in the group that a C-130 or equivalent aircraft was out of the question, that those aircraft were, in fact, most suitable for this type of air support activity, and that they would work extremely hard in improving the type of air support they would be receiving.

Q Do you know whether General Secord and Colonel North were able to resolve the issue of who owned these aircraft with the -- with Bastillo and the Contra leaders?

A No.

Q Let me just ask one other question on that trip. Why were you traveling with Colonel North and General Secord to El Salvador.

A I had asked to go along to see the air base, to see the living quarters of the air crews and to discuss with them their situation. The general discussion.

Q At that time, by the end of April, how many aircraft had been purchased to operate the air resupply operation?

A I believe three.

Q Now you mentioned the first purchase of the Caribou in January. What were the other aircraft purchased by that time, late April?

A And the second C-7 Caribou and a C-123.

Q During this time of late April 1986, and later, did General Secord ever tell you what he planned to do with those aircraft if and when Congress authorized funds for -- U.S. Government funds for the Contras?

A At some point in the late spring and early summer of 1986, I was informed that they intended to sell those aircraft to the Central Intelligence Agency.

Q Who informed you of that?

A General Secord.

Q And in what context did he tell you that; do you recall?

A That eventually the Central Intelligence Agency might be able to provide the -- general support to the Contra effort, that they would be running the -- or responsible for air operations, and that these aircraft and associated support equipment would be an ideal capability for them to continue on with.

Q Did he specifically mention for them to purchase?

A His plan was for the Central Intelligence Agency to buy those aircraft and that equipment.

Q Sir, did he ever tell you of meeting with Director Casey of the CIA?

A Yes.

Q In that regard?

A That is correct.

Let me -- correction. He informed me of a meeting with Director Casey.

Q And what did he tell you about that meeting?

MR. LAZARUS: Excuse me.

THE WITNESS: General Secord informed me that he had had a meeting with the director in his office.

BY MR. BALLEN:

Q When would this be, approximately, sir?

A In the late spring of 1986. He informed me that the substance of his conversation was to explain the capability of the aircraft that were currently supporting --

these aircraft that were currently supporting the FDN; that they were most suitable aircraft; that the capability would get better; and that they needed the support of the Central Intelligence Agency.

Q Now did there come a time in May of 1986 or in the late spring of 1986 that Secord told you that he -- we have to get the operation going so -- keep it flying so that the CIA would pick it up?

A General Secord continually stressed the fact that the aircraft were not operating at their maximum efficiency and that we should strive or they should strive harder to fly more and provide more air support in order to improve the image of that capability.

Q And was one of the reasons he expressed to you improve the image of the capability to impress the CIA?

A Yes.

Q And subsequently, sir, in the summer of 1986, did Secord tell you that the CIA did not want to purchase the ATWs because they were tainted?

A That is the word he used.

Q How about the rest of my question?

A That is an accurate reflection.

Q What did he say he was going to do as a result of the CIA's view on the tainted aspect of these assets?

A That they would try to reverse that opinion by the Central Intelligence Agency while at the same time improving the air operations support.

Q Did Secord tell you what would be done with the proceeds of the sale?

A No.

Q Sir, backing up chronologically in time, in or about January of 1986, when you were planning initially to set up the air resupply operations, were you present when Colonel North directed General Secord to generate a list of codes?

A Yes.

Q What did North say?

A Yes.

Q What did North say?

A Ask General Secord to develop a list of code words to refer to individuals and certain actions.

Q What was this code word list in reference to?

A Air operational support in Central America.

Q Did General Secord subsequently show you a list of codes?

A General Secord provided me a list of those codes.

Q Did he say who had prepared them?

A I think he stated he had prepared those codes.

Q I will show you what -- what will be Committee Exhibit No. 4.

Let me ask you if you recognize the document?

A I recognize this document.

Q How did you recognize it?

A This is the list of codes General Secord provided to me.

Q And, in fact, sir, did you not retain a copy of this list of codes and provided it to us pursuant to subpoena?

A Correct.

Q In February, directing your attention to February 1986, did there come a time when General Secord called you in reference to cash for the fuel account for aircraft in Central America?

A Repeat the date, please.

Q Approximately in February 1986?

A I believe that is correct. The answer to your question is correct.

Q What did General Secord tell you in regards to that?

A He stated that Colonel North had informed him they had an urgent requirement to provide cash, U.S. currency to the El Salvadorean Air Force to replenish their fuel account?

Q What was the fuel account?

A It was an account that had been set up to -- in which the C-7, C-123 air crews could purchase fuel from El Salvadorean Air Force.

Q That was the air crews in the air resupply operation?

A Yes.

Q Did you subsequently follow General Secord's request in that regard?

A I did.

Q Sir, back to the Jet Star trip in late April, apart from yourself and Colonel North and General Secord, who else was on board that flight that you recall, and apart from the Captain and flight crew?

A On the flight to El Salvador, was also Rafael Quinteros.

Q On the flight returning home?

A And one or two crews members.

Q Of course.

A On the flight returning, the same individuals plus approximately three of the crew members returning from El Salvador to the United States -- crew members and maintenance personnel.

Q Were any crew members present who had participated in the April mission inside Nicaragua?

A The air drop?

Q Yes, sir.

A Yes.

Q Who was that?

A His name was Mr. Ian Crawford.

Q Did there come a time when Mr. Crawford spoke to either you, Mr. North, or General Secord?

A Yes.

Q What occurred with that?

A I asked Mr. Crawford to brief Colonel North on the genetics with regard to that air drop.

Q Did he specify the lethal nature of the cargo on the air drop?

A I don't recall.

Q Did he brief Colonel North?

A Yes.

Q Colonel North had known of the flight prior to that briefing, had he not?

A Yes.

Q In fact, he had helped to ask for the flight to occur; is that not correct?

A That is correct. Ask me why I know that; please.

Q How do you know that?

A General Secord had been communicating to me -- communicating with me on details regarding that air drop and had -- during the course of those communications, had made frequent reference to Colonel North.

Q Referring back to Committee Exhibit No. 3, which are your East receipts, are there charges in those

East proceeds for the transportation of lethal equipment to Central America, as well as the construction of the air field?

A Do you have a specific invoice in mind?

Q Let me refer you to -- there is a charge for Hughs, Crawford, and others -- if you look at some of the other invoices, other pilot expenses -- unconnected, I believe with the construction of the air strip. Why don't you tell me?

MR. BALLEN: Let's go off the record.

(Discussion off the record.)

(Reporter read the record as requested.)

THE WITNESS: There are charges in this invoice for incentive fees for the air crews who fly on that mission the 9th and the 11th of April.

MR. BALLEN: I have no further questions.

Thank you, Mr. Gadd.

MR. LAZARUS: May I put a question on the record?

MR. BALLEN: Sure.

BY MR. LAZARUS:

Q Mr. Gadd, whenever you talked about matters of record from your company, is it accurate to say that during the course of your billing practices, that they were done in accord with customary billing practices?

A Yes. That is correct.

Q And that you have satisfied the committee's inquiry with respect to the production of all those?

A Yes.

MR. LAZARUS: If I may on the record ask whether -- ask counsel whether or not -- what the availability is of this deposition in the future? Members of the committee or otherwise?

MR. BALLEN: My understanding is this deposition would be made available to members of the House Committee, members of the Senate Committee, and their staff on an as needed basis.

MR. LAZARUS: Is it available to anyone else?

MR. BALLEN: It would not be available to members of the news media, or anyone else other than a copy being provided to you.

MR. LAZARUS: It would be available, though, to compulsory process?

MR. BALLEN: No.

MR. LAZARUS: It is sealed then, so to speak?

MR. BALLEN: Yes, sir.

THE WITNESS: Can we go off the record for a minute?

(Discussion off the record.)

(Whereupon, at 4:30 p.m., the deposition was adjourned.)

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Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

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DEPOSITION OF HENRY ~~HOWARD~~ HAROLD ''HANK'' GAFFNEY

Tuesday, June 16, 1987

U.S. House of Representatives,

Select Committee to Investigate Covert

Arms Transactions with Iran,

Washington, D. C.

The Committee met, pursuant to call, at 9:05 a.m., in Room 2203, Rayburn House Office Building, with Joseph Saba, presiding.

On behalf of the House Select Committee: Joseph Saba, Staff Counsel; Robert W. Genzman, Associate Minority Counsel; Roger Kreuzer, Investigator.

On behalf of the Senate Select Committee: John Saxon, Associate Counsel.

On behalf of the Witness: Jerome H. Silber, General Counsel, Defense Security Assistance Agency, Department of Defense.

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under provisions of E.O. 12356
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Whereupon,

HENRY GAFFNEY

having been first duly sworn, was called as a witness herein, and was examined and testified as follows:

EXAMINATION ON BEHALF OF THE HOUSE AND SENATE SELECT COMMITTEES

BY MR. SABA:

Q Dr. Gaffney, will you please state your full name and your current duties for the record?

A Henry ~~Howard~~ Harold Gaffney, Jr., Director of Plans, Defense Security Assistance Agency.

Q Can you please give us a brief resume on career with the Department of Defense?

A I entered the Office of the Secretary of Defense in February 1962 as a management intern and have been in various positions in the Office of Secretary of Defense since that time.

Q And what is your current position?

A My current position is Director of Plans in DSAA, a position I've held since about the 1st of August of 1981.

Q Can you please describe for us the organization of the Defense Security Assistance Agency?

A Well, DSAA has a Director who is a three-star military officer, a Deputy Director who is a civilian, three major directorates--the Plans Directorate, the Operations Directorate, and the Comptroller--and two special offices, a Congressional Relations Office and a General Counsel.

Q Can you please explain your duties?

A It's not always easy.

The Plans Directorate is sort of the junk shop of DSAA. It has a variety of functions. Our primary role is to participate with the State Department in putting together the security assistance budget to be requested from Congress and to participate in the allocation of those funds when they are appropriated by Congress, and this requires that we prepare all of the testimony of the Secretary and the Director, DSAA, and the associated tasks with that, and also any other presentations.

[Mr. Silber conferring with the witness.]

THE WITNESS: And then I have ~~we have~~ other functions: a Weapons Systems Division, an Organization and Manpower Division, Special Defense Acquisitions and a Support Division.

I think what Jerry was just pointing to was the fact that from time to time both the Director and the Deputy Director have been out of the country at the same time, or out of the city at the same time. I've been sitting in as

Acting Director of DSAA.

BY MR. SABA:

Q You mentioned a Weapons Division. Could you explain, is this a division which answers to you or on which you would normally call? How do you relate to that division?

A They are under my supervision.

Q And what does that division do?

A Its major task is to supervise major aircraft sales where there is competition between ~~U.S.~~ two U.S. manufacturers. For instance, they have responsibility now for making sure that the Navy and Air Force and associated contractor presentations to the Koreans, Japanese, United Arab Emirates, the Swiss, are comparable.

Q Does that include the Israelis?

A ~~We're not in~~ they have not had any involvement with the Israelis because ~~that's been a straight~~ those have been straight sales. I mean like the F-16 was sold before. There's no--

Q How does your office relate to the Office of General Counsel?

A There is a General Counsel, DSAA, which is a parallel office which we ~~for, you know,~~ interact with on a daily basis. The General Counsel, in turn, as you know, is part of the--what do we call it, Jerry? The Defense Legal Services

Agency.

But we don't deal with them. We deal through him to any further General Counsel personnel

Q Him being Mr. Silber--

A Mr. Sil~~v~~ber, right.

Q --the General Counsel for DSAA?

A That's right.

Q You reference that one of your duties is to prepare testimony for the Secretary.

A ~~Um-hum.~~ Yes

Q Does this also include alerting the OSD when a question of congressional notification may arise?

A That is not my particular responsibility. That is elsewhere within DSAA.

Q Who would have that responsibility?

A Basically, I think the responsibility is largely in State because it's the Ambassador who sends in a message to the whole community announcing that a country proposes a sale which would meet the thresholds of the legislation, and then everybody becomes sensitized to it.

THE WITNESS: Is there a particular defined responsibility for that in DSAA, Jerry?

MR. SILBER: For notification?

THE WITNESS: For detecting which cases are notifiable.

MR. SILBER: Well, the Comptroller's Office is responsible for the notifications.

THE WITNESS: Yes. Our Comptroller Office is responsible for sending the notifications to the Hill when directed to by the State Department ~~for~~ through the Director of DSAA.

MR. SILBER: But they have a responsibility of identifying if there is a particular letter ~~or lou for an~~ of offer and acceptance that is being proposed and it is over the thresholds for notification, they are the ones who say: Wait. We can't issue them. We have to notify them.

THE WITNESS: Yes, the FMS Program Control Division within our Comptroller Branch.

BY MR. SABA:

Q All right, let me move on to the issue of FMS and MAP. Exactly what is your role and familiarity with the FMS program?

A Well, it's sort of a ~~a~~ general overview of all sales. We keep track of--well, actually our Comptroller keeps track of all the numbers and we basically perform an analytical function or absorb what we need to, to present in testimony.

Q When you say numbers, what do you mean?

A The Comptroller, as a result of much of the ceiling legislation that was passed in the Arms Export Control Act, had a responsibility for keeping track of all foreign military sales--FMS.

. Q When you say the ceiling, you refer to a numerical qualitative or quantitative or a dollar?

. A It was a dollar ceiling. It was around 1977 thereabouts. It was around 8 billion at that time. There was a sentiment, and I guess it was unenforceable in the law, that the amount of sales should go down each year [in ~~various~~] we had to keep track of the overall sales to make sure that the ceiling was ~~you know~~ observed.

. Q Would it be your duties to keep track of those sales?

. A No, it is not my duty.

. Q Would you be normally familiar with the numbers of weapons that we have provided to the various countries?

. A It's not my responsibility but I can find out at any time.

. Q Would it be your responsibility to maintain knowledge of the dollar value in any given fiscal year of the weapons being transferred to another country?

. A As a responsibility, no, I don't have that responsibility. As a general analytical function, we do keep track of those things.

. Q Would it be your responsibility to monitor transfers by transferring countries of weapons provided

X

under the FMS/MAP program?

. A No, it is not our responsibility. It is not my responsibility and it is not the Plans Directorate responsibility.

. Q Whose responsibility would that be?

. A That's very unclear. That question has come up a number of times. I mean, I'm not sure you could point to any place in the law which says that so-and-so shall monitor all intelligence and all embassy reporting to assure that there is no third country transfers. I think the, as I remember the law ~~but I would have to figure that run of the law but~~ section 3(d) of the Arms Export Control Act requires notifications and--

. Q Who makes that notification? Is that the responsibility of the President or the State Department?

. A The responsibility for notification lies in the State Department.

. Q Maybe we can make the situation clear by running through a hypothetical example. What I'd like to run through would be a hypothetical example on a transfer of Hawk missiles by the United States to Israel.

. A Um-hu~~m~~h.

. Q And I'm making reference in the abstract, not to any of the events with which we are immediately concerned.

. A Um-hu~~m~~h. Um-hu~~m~~h.

Q I would like for the sake of the record and our members to get a clear picture of how this is done. If you would run through with us how Hawk missiles might be transferred to Israel with a view to the period that we're concerned with.

MR. SILBER: This is to Israel, by Israel?

THE WITNESS: Transferred to Israel is what you said, right?

BY MR. SABA:

Q Transferred from the United States to Israel.

A Yes. Okay.

Well, there was a real case. They requested the sale of 100 Hawk missiles back in 1982. This request comes through--

Q Excuse me. That example would be a good one.

A Yes.

Q If you would explain to us how that is dealt with.

A This request comes through official channels to the State Department, let's say, in this case. Assuming that the Israelis ha~~s~~d not gone through the preliminary stages of asking for price and availability data before they made their request, ~~we have to~~ the State Department has to--

Q Excuse me. If I can, I want to take this very slowly and very precisely--

A Um-hu~~m~~h.

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Q --going step by step.

There comes a time in Israel--

A Um-hu~~m~~n.

Q --where somebody, and I'd like to identify who, decides they want Hawks, and that someone writes a piece of paper and gives it to somebody.

A Um-hu~~m~~n.

Q I'd like to walk that piece of paper all the way through until one day Israel has a Hawk in its inventory.

A Okay. First of all--

Q And where you can--

A Yes.

Q --in this period and using that example, if you would not only name the title of the person, but if you recall the name of the person who would also be involved it would be useful.

A Yes. That's hard for me to say because, remember, the Hawk system as such was sold earlier to the Israelis, ~~what~~ was available to them in the 1973 war, so it was sold to them probably sometime between '67 and '73.

MR. SILBER: This is your basic.

THE WITNESS: This is the basic Hawk system, ~~when~~ with it's radars, it's launchers, it's control vans, and things like that.

BY MR. SABA:

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Q That was sold--the basic Hawk was sold when?

A Presumably, I think, somewhere between '67 and '73, but I don't know to be precise.

Q Do we keep track of how many basic Hawk missiles Israel maintains in its inventories?

A No. ~~Because we~~ we keep track of what we sold them; what we produced in this country and then sold them, but we don't have access to their warehouses to find how many they have expended.

Q And do they report as to how many they have expended and what remains in their inventories?

A No. No. There's no responsibility under the law for them to do so whatsoever.

Q After '73 did there come a time when the basic Hawk was modified into something else?

A Well, the Hawk, yes. I don't know whether it was Improved Hawk, I-Hawk as it's known, which was sold to them in the first place, I have no idea, or whether it became Improved Hawk later on. Most of those modifications, as I take it, take place in the control vans and the radars and all. And you would probably find--you could probably go to our computer and check out all the cases having to do with Hawk for Israel since the initial purchase and you would probably find several cases each year for various modifications, for spare parts, for other supplies associated with the system.

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. In other words, when a system enters the Israeli system, we support it, we say. They enter support agreements with us to get a continual flow of the spare parts they need.

. Now the missiles, themselves, are a different matter. Most of those missiles, as I understand it, without being an expert on the system, are what people call wooden rounds. They've been adaptable to most of the various launcher improvements in the system and they can be stored for a long time until they're needed for use.

. Now, for whatever reason, Israel decided that it needed to buy 100 more Hawk missiles in the early '80s.

. Q Let me go back. I'm trying to decide, trying to determine the difference between what we call basic Hawk and I-Hawk.

. You would have to get the Army experts over here, and by the time they finished you would be thoroughly confused.

. Q Are you saying that--

. Especially when you get into PIPS I, II and III.

. Q Focusing on the missile itself, as opposed to the support system--the vans and the radars for the missiles--

. A Yes.

. Q Focusing on the missiles themselves, is there a difference--is there a substantial difference between what is called the basic Hawk missile and the I-Hawk--

. A I don't know.

. Q --missile?

. A I just heard through the grapevine that the missile hadn't changed much through all the years.

. Q And you mentioned that basic Hawks were brought into Israel periodically or at some point between 1967 and '73.

. A Well, I assumed they made some large purchase of, I think it's roughly 22 batteries. Maybe it's 11. You know, some number like that.

. Q And between 1973 and 1982, do you recall what the Israelis obtained?

. A No.

. Q Do you recall, in the period between from 1967 until 1980, what the Iranians obtained?

. A Yes, as a matter of fact. ~~A curious--I came across, a word in this process.~~ I had occasion to check out that fact and I have a tiny note here which said that we had delivered, presumably across the life of the program, 1442 Hawk missiles and 360 of them--360 additional Hawk missiles had been bought by Iran, but when the Shah collapsed those were diverted to other customers.

. MR. SILBER: Tell them what you're reading from.

. BY MR. SABA:

Q Yes. Could you tell us what you are reading from?
A Just from my own handnotes dating back to November '85.
Q These are notes which you prepared for this deposition?
A No. These are notebooks that I keep sort of as I go along in my work.
Q So these are notes kept in the normal course--
A Yes.
Q --of your work?
A Yes.
Q Were these notes made contemporaneous with the transfers of weapons?
A This was the note that came up in this particular case having to do with the transfer of Hawk missile--possible transfer of Hawk missiles to Iran in connection with the hostages.
Q All right. We'll come to that--
A Yes.
Q --but at the moment I want to remain focused a bit on the pre-1980 period.
A Um-hum.
Q Obviously, what I'm trying to determine is the compatibility of the Israeli system and missiles with those in the possession of the Iranians through the late 1970's.

. A I would have no idea. It's not within my responsibility ~~so~~ and I'm not privy to that information.

. Q All right. In terms of the 360 additional Hawks which were ordered and paid for by the Iranians but not delivered by the United States--

. A Um-hu~~m~~h.

. Q Do you recall what type of Hawks they were?

. A No.

. Q Could they be described as I-Hawks, or is it that you don't know?

. A These were just missiles. As a matter of fact, I had gotten a printout at the time of all this business ~~come out~~ of the Hawk missiles, per se, not batteries, not other associated equipment that we had sold.

. Q Were these missiles distinguished as--

. A Not that I could tell.

. Q --basic or I-Hawks?

. A Not that I could tell from the printout. Never identified it one way or another. Which leads one to believe that possibly there's no great distinction.

. Q All right. There came a time, then, in 1982, when the Israelis made a request for additional Hawk missiles.

. A Um-hu~~m~~h.

. Q Could you please tell us in as much specificity and detail as you can what that process was commencing with the initial Israeli request? Who made it? And to whom was it made?

. A ~~I don't~~ know any of the details. I can only hypothetically construct it according to the way people usually make these requests.

. Q That's fine.

. A The Israelis, and it would ~~have to be the--it would~~ presumably be the Ministry of Defense or their agents--could be their purchasing office in New York, it could be their mission in Washington, or it could be their Ministry of Defense in Tel Aviv--would make a request to an official representative of the U.S. Government.

. Q And what agency would that be?

. A It should be the State Department. And the State Department--let us say that the message originated from Tel Aviv, from the embassy there, which said the Israelis are making a request for 100 Hawk missiles; and the State Department has a regular format that they follow when a country makes a request like this which covers most of the categories that are required by an eventual 36(b) notice. In other words--

. MR. KREUZER: Excuse me.

. THE WITNESS: --it's keyed to the section 36(b) of the AECA.

. BY MR. KREUZER:

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. Q The message would go from Tel Aviv to the State Department? Is that what you're saying?

. A From the embassy. Our embassy.

. Q From the U.S. embassy?

. A U.S. embassy. The U.S. Ambassador, who, of course, is the only--

. MR. SAXON: If it had been sent to the U.S. Ambassador--

. THE WITNESS: Yes.

. MR. SAXON: --by the Israeli government, it wouldn't have to go that route.

. THE WITNESS: One way we see requests from the Israelis come to us is they may send us a letter.

. MR. SILBER: From New York.

. THE WITNESS: From New York. From the purchasing office in New York.

. MR. GENZMAN: Who is ''us''?

. THE WITNESS: To DSAA. ~~Now~~ The ones I see mostly now on an incidental basis are those requesting the application of credit funds to commercial contracts that they are concluding.

. BY MR. SABA:

. Q If the request for Hawks was originated by the Israeli purchasing office in New York, to whom or to which office would that letter go?

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. A I don't know. They could take it direct to the State Department or they could take it direct to DSAA. In any case, then DSAA would pass it to State, and State would pass it to DSAA.

. Q What would State do with the request?

. A It would probably pass it to DSAA for action.

.. Q All right. But let's go slower.

. Presumably State is more than a mailbox and someone with responsibility at least reads it and determines to take some kind of action, other than merely forwarding it, unless I'm wrong.

. A No, that's right. Most of these kind of things would come to us from the Office of Political~~and~~-Military Affairs in the State Department. It may be that the Bureau or NEA would send it over to us, but generally I think they probably would send it over to Pol-Mil ~~Paul Mil~~, which would, in turn, forward it to the Defense Department in some way, although I cannot ever remember seeing a particular piece of correspondence which said, now, here's a request.

. Q Do you know what substantive action, if any, the State Department takes on receiving a request?

. A ~~I think they~~ I don't know what process they have to go through a scrutiny of each individual request.

. Q Do they make a recommendation on sending the document to DSAA?

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A Not that I know--I've just not seen any correspondence that relates to that.

MR. SILBER: There's a screening process involved. If they ask for something which is well beyond their sophistication or their technology or what not, or something that's nuclear capable or something like that, they probably would not forward it.

THE WITNESS: Yes. I mean, State can squelch any request it wants. In fact, there are various requests that come in--let me see if I can think of a case. Well, since the issue is pretty well over now, there was a question~~s~~ of whether we should sell [redacted] Usually, they are not immediately asking for a letter of offering; they are probing the United States with various diplomatic messages to find out whether we have a disposition to sell.

And then the Office of Political Military Affairs would ~~actually, they~~ go up the chain to the Under Secretary for Security Assistance, Science and Technology, and they might send a decision paper as to how do we ~~you know, how it we~~ enter this process? Should we convene an interagency group to discuss it? Should we send a reply now saying it's out of the question? Or should we ask DOD merely to process the request and provide us, or prepare a ~~letter~~ later request?

BY MR. SABA:

. Q Focusing on a Hawk request--

. A Yes.

. Q --from Israel, assuming that the request came in in 1982 and the State Department would then forward ~~it~~ that request from the Israelis to DSAA.

. A Um-hu~~m~~h.

. Q Would the State Department normally make an affirmative recommendation or is the forwarding of that request to you, in effect, a recommendation to move forward?

A No, I haven't been in on any specific cases, but where a country has the existing system and already has an inventory of such missiles it is treated in an absolutely routine fashion, except as it triggers a notification requirement to Congress. If Defense takes a look at it and if State has not otherwise noticed--

. Q Excuse me. Let me go backwards slowly.

. A Yes.

. Q State has the piece of paper. What is your understanding as to what State would do if State made a determination that notification were required? State has the paper first.

. A Yes.

. Q Is it your understanding State has--you indicated earlier that you thought State had the initial responsibility for making a determination as to congressional notification?

A Um-huh. Um-huh.

Q Is that your understanding?

A Yes. ~~I mean it's~~ That would be my understanding. I mean, assuming they had a rough idea of the cost, and 100 Hawk missiles is very likely to be in that category.

Q Do you recall roughly in 19--the period '82 to '85, what a Hawk missile cost in rough terms?

A Yes. About 300,000 a copy.

Q Each?

A Yes.

Q So assuming there was a request for 100 Hawk missiles that would come into the State Department, is it your understanding that that would trigger a notification requirement?

A ~~It~~ Yes.

Q And are you familiar with the basis for that notification requirement?

A You mean the--

Q The legal basis.

A A legal basis. Yes, as contained in section 36(b).

Q What is your understanding of 36(b)?

A It says if it's $14 million or more of significant military equipment or 50 million or more of any kind of military goods and services and--what was it?--$200 million worth of construction services would require that before a letter of offer can be issued to the country that various officers of the Congress must be notified and it must ~~sat~~ sit up there for 30 days.

Q All right. Turning to our example, the case of a 1982 Israeli request for Hawks, presumably that request went through the State Department, there was a notification requirement triggered by the value--

A Um-hu~~m~~h.

Q --and then that determination is made by State and they forward the request to DSAA.

A Um-hu~~m~~h.

Q Would the State Department in forwarding that request indicate what determination, normally indicate what determination it had made in respect to congressional notification; and would it recommend as to who would make that notification?

A Well, since DSAA routinely prepares and sends up those notifications, then they would say to DSAA ~~you know~~ prepare the notification.

Q So it would be your office, DSAA--

A Um-hu~~m~~h.

Q --which would prepare the notification?

A Yes.

Q Who in DSAA would do that?

A Within the Comptroller, the FMS Control Division.

Q The FMS Control Division?

A Yes.

Q In 1985, who would that have been?

A ~~Oh,~~ I think it was Ron Malachowski at that time.

Q Ron?

A Spelled ''Mal-a-chow-ski.''

MR. SILBER: M-a-l-a-c-h-o-w-s-k-i.

BY MR. SAXON:

Q Dr. Gaffney, let me clarify one point about section 36(b).

A Um-huh.

Q You said a moment ago that various Members of Congress have to be notified and then there is a 30-day period it has to wait.

A Um-huh.

Q That 30 days can be waived; is that correct?

A In an emergency that can be waived, but the Congress has to be notified of the waiver.

MR. SILBER: The waiver has to be done by the President, of course.

THE WITNESS: Yes.

BY MR. SAXON:

Q Okay. But the requirement of notification itself cannot be waived; is that correct?

A That's right.

MR. SAXON: Thank you.

BY MR. SABA:

Q DSAA, then, would prepare the notification, and who would actually deliver that to Congress?

A Daisy Walker.

Q And what is her title?

A She's Administrative Assistant in our Congressional Relations Office.

Q So this would be a piece of paper--

A Yes. It's a series of letters signed by the Director, DSAA, to the Speaker of the House, et cetera.

Q And presumably, in the case of the '82 request from Israel, these procedures were probably carried out?

A Yes.

Q Was there any particularly unusual about that 1982 request from Israel?

A I would suspect not. I remember it appearing on lists of the things that the Israelis were buying about that time and it seemed perfectly logical.

Q And in respect of that 1982 request by Israel, what happened after it was received by DSAA? Notification is sent to the Congress and then what?

. A It presumably passed the 20-day informal and a 30-day formal notification period without any inquiry by Congress. And then the LOA ~~would have been~~ which had been prepared before would have been issued to them, probably delivered by DSAA to a representative of their New York purchasing office.

. Q And then what happens?

. A They go over the terms of the LOA. If they're happy with it, they sign it--pardon?

. MR. SILBER: They, the purchaser.

. THE WITNESS: The purchaser, yes. ~~The Israelis would--we, by the way, we have to~~ the U.S. military service with the system, in this case the Army, would prepare that LOA for us. DSAA must countersign it. We check over the terms and we countersign it, and then we issue it to the country's representative.

. The country then examines it; if they agree with the terms they, in turn, sign it. That represents a contract between the country and the U.S. Government which permits the U.S. Government to go out and contract for the missiles on behalf of the country.

. BY MR. SABA:

. Q All right. In the case of Israel, would this normally be the Israeli purchasing office in New York City?

. A I don't know. I don't know who is entitled to sign off on these LOA's. It could very well be the New York purchasing office.

Q All right. So the LOA prepared by the Army, countersigned by DSAA, goes to the authority of the Israeli government authorized to accept the LOA?

A Yes.

Q And is it your understanding that upon the signature of the authorized Israeli person this becomes a binding contract between the United States and Israel as to those weapons?

A Yes. Not in all of its details. I mean, it is not a contract, because we have to turn around and, in turn, make a contract with the manufacturer. It is a binding agreement--

Q I understand. Let's continue.

And you, in turn, turnaround and make an agreement with the contractor?

A Yes.

Q And the United States Government obtains the Hawks?

A That is correct.

Q Could it be that these Hawks would be in the inventory of the United States?

A We could sell them from stock, yes.

Q So the choice then is either go to the manufacturer--

. A Yes.

. Q --in the case of weapons that you don't draw from stock--

. A Yes.

. Q --or you could go directly to stock?

. A That's right.

. Q And at what point do we have a binding contract with the Israelis with all the terms and conditions fixed?

. A ~~If I would say,~~ if we are getting it from production, we have a binding contract between the producer or manufacturer and the U.S. Government as soon as they sign the contract for production--

. Q My concern is between the United States Government and the government of Israel. I'm looking for a binding contract.

. A The LOA is a binding contract, except we get to change the terms all around if we please. I mean, the costs in there have to be rough. You cannot commit yourself that this is exactly the cost that the manufacturer is going to come up with when they sit down to negotiate a contract.

. Q I understand. But what you're saying is I have a contract--

. A All other terms in there are we promise to deliver these things and to--to buy them and to deliver them and to assure their quality and that kind of stuff.

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Q And his birthday was when?

A The 25th of July.

Q And your travel records show you being in the right part of the world?

A No, I missed the birthday party.

Q But you were on his yacht?

A Yes.

Q When were you in that part of the world from your travel records?

A I would say -- it doesn't show here, but I would say it was more like the end of July because we had -- I know I got there a few days after the party.

Q And this would have been the first time you had seen or talked with Ghorbanifar since Tel Aviv?

A I think so, yes.

Q And you were there when Mr. Ghorbanifar appears at the yacht?

A Yes.

Q Tell me what happened.

A He was excited that, you know, that the thing was going to go forward, but he couldn't go forward because he needed $1 million to make a prepayment.

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Q What thing is it that's going forward at this point?

A The transaction.

Q What did you understand that transaction to be?

A Spare parts.

Q Did you know anything more about them, what kind of spare parts?

A No, I didn't.

Q But it was your understanding it was spare parts as opposed to weapons?

A Correct.

Q Did Mr. Ghorbanifar ask Mr. Khashoggi to do anything?

A They were chatting about the transaction, and he agreed to in effect make the bridge financing of $1 million.

Q He being Khashoggi?

A Khashoggi.

Q The records that we have indicate that Mr. Khashoggi put up approximately $1 million on or about the 7th of August, 1985. Were you present when Khashoggi actually posted the $1 million?

A When you say "posted" --

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Q Gave a check to Ghorbanifar, anything of that kind?

A I think it was a -- he was going to instruct his bank to transfer the money, I think, to transfer the money to an account.

Q You would have known that because he would have said that to Ghorbanifar in your presence?

A I don't remember exactly how. That's my recollection.

Q Do you have any further knowledge about this particular transaction, the $1 million transaction?

A No, other than he got a check from Ghorbanifar.

Q Were you present when that check was given? Did you see the check change hands?

A I don't think I saw the check. I don't recall, you know.

Q All right, again, the records that we have suggested that Khashoggi posted the million dollars on or about August 7 and got the million dollars back on or about August 29, 1985?

A I knew the August 7 date, but I didn't know the date when he got it back. What was the date that he got it

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back?

Q According to our records, on or about August 29, 1985.

Did you acquire any additional knowledge about the transaction for which this million dollars went?

A No.

Q Did you have any additional meetings in August when this was discussed?

A No.

Q Where were you in August of '85?

A I was in Marbella, Spain, shows August 1st through the 8th, then I went to New York.

Q And you remained in New York until when?

A September 1, I went back to London. London, Paris. Looks like I flew New York, London, and then I went to Paris, and I was in Paris September 2 and 3, then I went back to London on the 4th, then I went to Zurich on the 5th and was there through the 6th, then I went back to New York, I guess. New York, London, then back to New York.

Q And you remained in New York for the remainder of September?

A No, then I went back to London on the 9th, and I was there through the 10th, 11th, 12th and 13th. I was in London on the 17th and 18th, looks like.

Q All right, in terms of meetings or discussions relating to the Iran initiative, what meetings or discussions did you have in September?

A None.

Q Were you aware or were you not that Khashoggi was asked to cause another bridge financing arrangement to be entered into?

A I did not know about it.

Q When did that come to your attention?

A Way after. Probably after all this thing broke, I learned sometime that he did two transactions, but I didn't know anything about it.

Q So you were not aware in September --

A Of the $4 million transaction. No.

Q Let's stop on that transaction for a moment. At some point you did develop some familiarity with this transaction, correct, sometime last year that you learned about that transaction?

A Sometime in '86, yes.

Q From your prior testimony, you indicated that you believe that the source of Khashoggi's funds was another company. You testified to the Senate Select Committee that you thought Khashoggi borrowed the $4 million from an English firm, Lonrho. What was the basis of your information?

A Mr. Khashoggi.

Q What did he tell you?

A That's where he got the funds from.

Q What is Lonrho?

A Lonrho is a major English trading company with extensive holdings in Africa, major commodity trading house. Also owns all the hotels, the D.K. Levitt hotels they bought in Mexico and stuff. It is a big, big company, and that's the same company that tried to buy Herod's if you remember, and then lost out to the Egyptian.

Q Do you know anything about the terms under which Khashoggi borrowed his money?

A Do not, no. All I think is when they had all the trouble with Lonrho recently, I think it made me refer back to it, but I don't know.

Q You mentioned a meeting with John Shaheen that occurred on or about October 3, I believe you said?

A Yes, I think October 3.

Q In October, did you have contact with anyone else with regard to the Iran initiative?

A No.

Q You had no contact with Ghorbanifar in October?

A Yes, we did.

Q When in October did you meet with Ghorbanifar?

A Well, I would say, you know, the tail end of October, because we were getting a crude oil contract, and we were putting together a company, Ghorbanifar, Khashoggi and Furmark, and I went to Hamburg in October to deal with a company called Mabanaft because they were going to be the contracting party and we would sell the oil to Shell. Iran would sell it to Mabanaft, Mabanaft would sell it to Shell. We had put together a draft agreement between us.

Q Run through where you were in October for me, please.

A All I have, okay, is October 20 to the 24th, New York, London, 20th, London, Hamburg the 21st, 22nd Hamburg, 23rd Hamburg, 24th London, New York.

Q Ghorbanifar was in the United States October 7, 8, perhaps October 9. Did you meet with him at all during that period of time?

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A We had dinner one night, I think.

Q And that would have been where?

A In New York City.

Q Is this you and Ghorbanifar?

A We had dinner one night, and another time he was in New York we had dinner, he and I, and he had a lady friend with him.

Q Both dinners would have been in October of '85?

A I'm not sure, I don't have it marked.

Q Do you remember what you and he would have talked about?

A Well, the night we had dinner alone, I'm not sure what month it was, but you know, it was basically pursuing all the business we were trying to do through him.

Q Did you have any discussions about the Iran initiative?

A No. I don't recall that, because I had not heard anything really since, you know, the August, and I didn't know about the September transaction. You must realize that these guys don't tell you anything. I think I told you that earlier. If you ask they get suspicious. That's a standard Middle East trait, okay?

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Q Ghorbanifar was in Dubai in late October. He was in Dubai October 29, October 30, that period of time. Did you know he was going to Dubai?

A No.

Q As I mentioned earlier, Ghorbanifar was in contact with Ledeen in October of 1985, but if I understand your testimony, you didn't know Mr. Ledeen at that point?

A No.

Q Let me drop back to one other matter. The relationship, the business relationship that had included Mr. Hashemi, you and Mr. Khashoggi sold out your interest in that venture to Hashemi sometime before October of '85; is that correct?

A No, it was the end of July.

Q Tell me what happened in that regard.

A Well, first of all I think Mr. Khashoggi felt that Mr. Hashemi could not deliver. I think he believed that Mr. Ghorbanifar in the end could deliver oil contracts, counter trade contracts, and my experience, okay, with Hashemi was in July and June. I was negotiating a crude oil contract with Shell for European Mercantile, which is Hashemi's company. Prior to that, we were negotiating with

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Tampimex the same contract, and in the Tampimex transaction, our profit was half of what the profit would have been with Shell.

I used my relationship with Shell to get them to go along and we drafted lots of contracts, drafts ready for signature where we would have had about $1.15 a barrel profit on a hundred thousand barrels a day, which is about $40 million of profit, whereas with Tampimex the profit would have been about 60 percent of that. I just was flabbergasted that he wouldn't sign with Shell and they were ready to sign, having the credit of Shell and the profit that we would have with Shell; and when he didn't sign I knew there was no oil, and it had affected my relationship with Shell and I had told this to Khashoggi. Then little did we know was that Hashemi was warming up to Fritz Ingram of Tampimex, and in the end, there was a confrontation between Khashoggi and Hashemi as to you buy me out, I will buy you out, you know, I'm not going to do all this work and you make all this money, Khashoggi, I'm doing all the work, so Khashoggi agreed to return the shares and he got back his $500,000. I returned my shares and was supposed to get my expenses back, which I never got.

We found out later that simultaneously Hashemi

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sells half the company to Fritz Ingram for a reported $2 million, so that was like the end of August. I would say the end of August, first week of -- end of July, rather, first week of August.

Q Okay, in terms of events in the fall of 1985, when did you get clued in again on things around the Iran initiative?

A I never knew about the November transaction. In fact, when Time magazine did a story and they showed the November transaction, I spoke to the reporter and I said, you know, it is wrong. I never heard of anything Khashoggi was involved in. I never knew about it.

Q How frequently were you in touch with Khashoggi during this period?

A Fairly frequently.

Q But he never clued you in?

A He never clues anybody in, unless if I was working with him on it I would know about it, but he is not one to -- his conversation with me was, you know, how are we coming on the oil contract with Ghorbanifar? But I never knew about -- just like I never knew about the February transaction.

Q To what extent were you dealing with Ghorbanifar?

A When I could locate him or see him, I was pushing him on the things I wanted to do. I wanted a special contract with NIOC to handle one of their problems they had with an oil company. Trying to get an oil service company to buy to service Ghorbanifar, trying to get some, trying to get a contract out of Iran and through Ghorbanifar because there is that potential, but unfortunately, he didn't spend much time on the commercial side.

Q He being Ghorbanifar?

A Right. One of his Paris friends says, you know, politics pops up and he forgets about commercial business completely, but he was, you know, he said he was going to get it, he was going to get it, but he never got it. He never got any contracts.

Q Were you aware that Ghorbanifar was dealing with representatives of the U.S. government in the fall of 1985?

A In the fall of '85?

Q Yes.

A No.

Q He didn't mention that to you?

A No.

Q Shifting gears a bit, with regard to Khashoggi, were you aware that he was negotiating with Ernest Miller and Donald Fraser and various companies that they are related to such as Sarsvati International?

A No.

Q You were not familiar with those negotiations?

A No.

Q And the various loans that Khashoggi obtained through the Miller-Fraser connection in the fall of '85, you were not privy to?

A Never knew about it.

Q Turning to January 1986, you mentioned that when Ghorbanifar was in the U.S. to take the lie detector test for the CIA, you met with him and Mr. Ledeen.

A Yes.

Q Take me through what happened there.

A He called me --

Q He meaning Ghorbanifar?

A Yes. He said come on down to Washington and have dinner with me, so I went down on a Saturday I think it was. I think we stayed at the Four Seasons hotel, and we then went to Scott's, and there I met Mr. and Mrs. Ledeen.

Q That's the first time you had met Ledeen?

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A   Y[illegible]

Q   What kind of introduction was made? What did Ghorbanifar say about his relationship with Ledeen?

A   He said he was a professor and he was an expert on terrorism, and the next morning on television he was on one of the programs, you know, which I turned on, and his wife was there, and they kept -- and of course Ghorbanifar said I was very close to Khashoggi, and so the conversation, you know, centered on Khashoggi and his life and having been on the yacht, having been on the plane, and there was a lady friend of Ghorbanifar's there, and so the conversation was, you know, social, and a few dances, they have music there, good food, I don't know if you have been there, and that was it.

Q   Was there any discussion with Ledeen about what he and Ghorbanifar had been doing together?

A   No.

Q   Was there any discussion about the status of the Iran initiative at that dinner?

A   No.

Q   Now, your meeting with Ghorbanifar was simply that dinner that evening?

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A No, then I had brunch on Sunday before I went back to New York, and the three of us had brunch.

Q Three being --

A The lady friend, walked up to someplace.

Q What was the nature of the conversation at that brunch?

A You know, he mentioned, I'm not sure when he mentioned it, but he said he was going to take a lie detector test, and he was going to Ledeen's house or somebody's house in the afternoon, Sunday afternoon, and he said we're making progress.

Q Progress as to what?

A I knew he was meeting with the U.S. government officials. Who I don't know, but Ledeen had arranged it. Maybe the name McFarlane came up, you know. With all this publicity and all the televised hearings, there are so many names that get thrown into the picture which it would not have been before, but that was all.

Q All right, in terms of the state of play, he didn't describe any further what was going on?

A No.

Q Did you have any other contact with Ghorbanifar in

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January of '86?

A I think I went back on Monday to see him, because I went back to New York because my dad was in intensive care in the hospital, and then I think I went back to see him in the afternoon, Monday afternoon, maybe Tuesday afternoon, I'm not sure.

Q Back to D.C.?

A Yes.

Q What happened then?

A He wanted to, you know, asked me to come down and I was there and nothing happened.

Q What would you talk about?

A How everything was going.

Q Did he say anything more about the lie detector test or the business he was trying to do with the U.S. government or anything like that?

A He told me one thing, I'm not sure when he told me, but he told me that -- maybe this was on Saturday -- that a ship was going to be boarded or something, an American freighter, and that was a signal to the people he was seeing as his bona fide. I'm not sure of the exact timing, but that I remember him telling me, that he I guess told them in

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advance of the Iranian patrol boat going to board an American freighter; and that apparently then happened because I read it in the paper, and that was a signal as to his bona fides.

Q Anything further said about the nature of the matters being negotiated with the U.S.?

A No.

Q All right. With regard to Khashoggi, what were you and he doing in January of '86?

A I see myself going to London the end of January and then going to Zug, New York, London on the 27th. 28th, London to Zug and Switzerland, and back on the 30th to London and the 31st, London to New York.

Q Moving on to February of '86, at some point you learned that Khashoggi lent $10 million to Ghorbanifar in February of '86. Did you know that at the time?

A No, no. No. Didn't know it whatsoever.

Q When did you learn of it?

A Months later.

Q Can you place the context in which you learned of the $10 million transaction?

A It could have been -- I'm just guessing, May. I'm just guessing.

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Q Let me --

A April, May.

Q Let's see if we can't connect it up in other ways. You were paid $88,500 by Khashoggi on April 15, 1986; correct?

A Yes.

Q Why were you paid that sum by Khashoggi?

A Well, Khashoggi has been, you know, sending me money for a number of years. I do lots of things for him. I have been expecting $100,000 from him for a while. On the Hashemi thing, he got his $500,000 back, I didn't get any money back on my expenses, and I do lots of things for him. You know, when I need money I ask him for it.

Q Was it your understanding that the $88,500 was related to an arms transaction or business transaction that Khashoggi entered into with Ghorbanifar in February?

A I didn't know about the transaction in February.

Q I'm trying to jog your recollection. Let me give you some facts. According to our record, Khashoggi was paid $12 million on April 11 as repayment for the loan that he had made back in February. Two days, four days later, April 15, you get paid $88,500. There's a coincidence in terms of the

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money coming into Khashoggi's hands and a payment to you. Is there a relationship between the $88,500 and the February arms transaction?

A In my opinion there's not. I think Khashoggi pays money out when he gets cash in. That's how he operates. He gets a chunk of money in, he pays money out. I have down that he got $3 million on February 26, 1986, and he got the balance on the 11th. This is what they told me.

Q They being --

A Khashoggi.

Q Khashoggi's accountants?

A Yes. No, wait, they got $6 million on the 26th of February. Is that what you have?

Q No, I don't, but --

A Then they got the balance on the 11th of April.

Q The $88,500, that's not a round number. What does it correspond to? Why $88,500 as opposed to 90?

A Lots of times he said he would send me money and I get smaller amounts. I have no idea how the $88,500 was determined. I then got, a month later I got another $88,500.

Q Yes, I will come to that in a moment. The $88,500 does not represent any agreed-upon sum?

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A Not to my knowledge.

Q Nor does it tie directly to the arms transaction?

A As far as I'm concerned, no.

Q Well, has Khashoggi told you anything to the contrary?

A No.

Q And as to why he sent you $88,500, what is the explanation? Why did he send you that 88,500?

A I have been trying to have him send me money for a long time. I think as I said --

Q How much money and for what reason?

A I'm just trying to recover the expenses I never got out of Hashemi, which is over $200,000.

Q Have you ever invoiced Khashoggi, sent him a bill?

A No. Occasionally, you know, if he asks for it. A lot of times I ask him and he sends me money because I'm doing lots of different things for him.

MR. GENZMAN: How was that money paid to you?

THE WITNESS: By bank wire.

MR. GENZMAN: Was there any note that was sent along?

MR. KERR: We have the wire here.

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MR. GENZMAN: Is there any verifying documents that were sent along?

THE WITNESS: No, no.

BY MR. KERR:

Q The way this transaction worked was that the money was simply wired into your account, you didn't receive any explanatory material on it?

A No, I get money wired in on various occasions from him.

Q Let me show you the Furmark Corporation checking account records for the period ended March 31, 1986. The reference to the Khashoggi wire is contained in the backup material for that statement. The statement will be Exhibit 4.

(Exhibit 4 identified.)

BY MR. KERR:

Q Exhibit 4 is a bank statement and some of the backup material for the March 31 period for the Furmark Corporation?

A It is March 31, ending April 30 '86.

Q And the wire transfer record is attached; correct?

A Right.

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Q And you have no other documentation on what this 88,500 payment was for; is that correct?

A It is money that he was sending me.

Q Mr. Khashoggi does business differently than other folks, but even sugar daddies usually give you an explanation for what was going on. What was the reason for the $88,500 coming your way?

A Because I needed the money. I was in trouble financially.

Q Was this tendered as a loan or what?

A No, no. He has been sending me money for a number of years. He asked me to go here, to go there. I'm no longer on retainer to him.

Q How is it carried on the books? This is payable to the Furmark Corporation, I take it?

A It is income.

Q By Furmark?

A Yes.

MR. GENZMAN: Had you asked him for a payment around that time?

THE WITNESS: I asked for $100,000 and he said he would send me $100,000 in March, beginning of April. It

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didn't come.

MR. GENZMAN: When you asked him for that amount at that time, what was the purpose?

THE WITNESS: Because I needed it. The money came in and it was paid out to keep me going.

MR. GENZMAN: Did you indicate why he should be paying you this amount from his end other than that you needed it?

THE WITNESS: No: It is not unusual for him to do that.

BY MR. KERR:

Q Was there any understanding between you and Mr. Khashoggi with regard to a percentage payment of any kind that you would receive in connection with the Iranian arms transactions?

A No.

Q At any time?

A I did not know about this transaction at all.

Q Whether or not you knew about this transaction, did you ever have an agreement with Khashoggi that you would receive payment for any Iranian arms transactions with Ghorbanifar?

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A I was getting my money on the oil deals. 10 percent of the oil contract with this new company.

Q Did you ever have any agreement with Khashoggi that you would be paid money in connection with the Iranian arms transactions? Yes or no?

A Mr. Khashoggi and I did not have any arrangement that he was going to give me anything.

Q All right, similarly with regard to Mr. Ghorbanifar, did you have any arrangement with Mr. Ghorbanifar relating to the Iranian arms transactions?

A No.

Q And with regard to the February $10 million loan by Khashoggi, you didn't learn about that until much later in 1986?

A That's correct. I never knew about it.

Q In February/March of '86, take me through where you were during that period.

A Well, in February I went to London on the 2nd, and then I went to Dubai on the 4th. I was in Dubai, I came back on the 11th to Paris. I was in Dubai from the 4th to the 11th.

Q Okay, then you came back to Paris. What happens

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next?

A I was in Paris for four days and I went to London, and then I went back to New York and then I came back to Paris on the 20th. I was there through the 28th.

Q Where did you go there?

A Then I went to Geneva. I was there until the 4th. Then --

Q Were you meeting with Khashoggi in Geneva?

A We had a meeting in Geneva with Khashoggi; I think that may have been the time when he brought his oil company people from California, because we were going to get oil from Iran for a refinery in Hawaii. I think that may have been the time.

Q You left Geneva when, the 4th?

A Yes.

Q Where did you go then?

A Paris.

Q You stayed in Paris --

A Until the 9th, and then I went to London for a couple of days.

Q Take me through the rest of the month. Where were the rest of your travels in March?

A On the 19th I went to Paris, the 20th in Paris. The 21st I went to Monte Carlo. I was in Monte Carlo until the 23rd and then I went London, New York.

Q Okay, let me just go through a couple of events. On the 4th and from the 4th through the 5th and 6th, Khashoggi picked up Manny Floor, and he and Floor and Robert Shaheen went down to the Cayman Islands to meet with Donald Fraser and Mr. Miller. Were you aware from your meeting with Khashoggi just before the 4th that he was going to Cayman Islands to discuss a series of loan transactions with Fraser and Miller?

A Never knew about it.

Q When you spoke with Khashoggi later on in March, he did not relate to you what had happened at his meetings in early March with Fraser and Miller; is that correct?

A Never.

Q Floor flew out to Geneva March 17 through 18 to do the paperwork on these loan transactions that had been negotiated in the Cayman Islands. Did you meet with Floor at all during that period of time?

A No, sir.

Q Again, you don't have any knowledge of the loan

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transactions that Floor was working on?

A None whatsoever.

Q As a result of the Geneva meetings, the board of Triad America was reconstituted. Did you have any knowledge of those events at that time?

A No, sir.

Q In March of 1986 was your office broken into?

A I don't know whether it was March or February. It was broken into over the weekend.

Q Describe to me what happened in that break-in.

A Well, Monday morning we got there, and the lock was off. It was obvious somebody had been through all the papers. They didn't take anything that I knew of. They didn't take any equipment or anything like that. We reported it to the building. The building came up and installed a new lock.

Q Did you relate this break-in to Mr. Ghorbanifar?

A I told Khashoggi and Ghorbanifar that somebody broke into my office. I had no idea who did it.

Q Did you suggest to either of them that you thought the break-in had been done by U.S. officials, either CIA or someone else?

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A I didn't know who did it. I had no idea.

Q Did you suggest to either of them that that was the likely source of your difficulty?

A I think, you know, Ghorbanifar, I think maybe he thought maybe it was the CIA that did it, but I didn't know, and I don't think I said who did it because I didn't know.

Q Did you suggest to Ghorbanifar that he lodge a complaint with federal officials about this break-in?

A No, sir.

Q Were you aware that he had caused such a complaint to be made?

A I think after the fact, yes.

Q How did you learn of it after the fact?

A I think I may have read it in the report.

Q Other than the report, do you recall discussing it with Ghorbanifar?

A I think I remember him telling me that his lady friend in California was harassed or something like that, and he thought my office break-in was connected or something, but that was the extent of it.

Q Did you ever discuss this break-in with Michael Ledeen?

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A No.

Q Other than that dinner that you described with Ledeen, have you had other occasions to meet with Ledeen, meet with or talk to?

A I think I may have talked with him on the telephone, because I called him to invite him to a dinner in Washington when the OSS was presenting an award, and he couldn't go. He had another dinner.

Q All right. We've discussed the payment that you received in April. You did or did not know in April that Khashoggi was being repaid for his February loan?

A I did not know.

Q All right --

A I did not know about the transaction.

Q When next did you have conversations with Ghorbanifar or Khashoggi about the Iranian initiative?

A I would have to say that it is in June.

Q What causes you to say that?

A Because Khashoggi, you know, told me that, you know --

Q Well, something is triggering a recollection. What's the event? What causes you to recollect something

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happening in June?

A Well, he was under pressure and the transaction wasn't completed and he hasn't gotten any money.

Q And he tells you about that at that point?

A And he asked me to stay in close touch with Ghorbanifar, find out what's happening.

Q Let's back up. He made a loan of about $15 million or a payment to Lake Resources on or about May 10, 1986. Does that correspond to your recollection?

A I was told May 15, but --

Q Did you know he was doing that at the time he did it?

A Did not.

Q When did you first find out that he had made such a payment?

A I would say in June, sometime in June I was over there and he was -- he knew, you know, that the shipment had been made, but he had not been paid.

Q Take me through your travels in June. Where were you?

A I was in London, Paris, Paris for three days, went to Nice --

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Q Give me the dates. You were in London, Paris, when?

A June 1, New York, Paris, via London, and I was in Paris on the 2nd, 3rd and 4th and then I went to Nice, to Monte Carlo again, on the 5th, and I flew home to New York on the 6th from Nice to New York.

Then on the 18th I went New York to Paris, and I stayed in Paris for a week, then I went on the 26th to Nice, then on the 27th I went to Marbella, Spain, to Adnan's house. On the 28th, I went to Nice on the 28th, and I was there on the 30th. I was there July through the 7th. On July 8 I went Nice, Paris, London, Paris. I had a meeting at the airport in London, then I came back to Nice on the 9th. I was in Nice the 9th, 10th, 11th and 12th. I went to Geneva on the 13th, and I went on the 14th to Paris. I stayed in Paris through the 24th of June -- July rather.

Q Let's stop there for a minute. Nice is where Ghorbanifar has his home?

A He lives in the next town.

Q When you were in Nice, were you visiting with Ghorbanifar?

A A couple of occasions he came to see me.

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Q Why else would you have been in Nice?

A No, I was just waiting, you know. I was the contact between he and Khashoggi.

Q So the reason you were in Nice was to make contact with Ghorbanifar?

A You know, and find out what was happening, because Khashoggi was very concerned.

Q Using the schedule you have given me as a way of trying to place when you were brought into this matter.again by Khashoggi, give me your best estimate of when you were there.

A I would say middle of June.

Q Let's use another event. You were paid $8000 and change by Khashoggi on June 6.

A Right.

Q What was that payment for?

A Well, he asked me to go down to Dubai, and I went down in February.

Q Again, how does that relate to the payment of $8000?

A Well, I said I never got anything on the trip down to Dubai and I need some money, send me something, so he said

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send me something and I sent him an invoice.

Q Did you send an invoice for $8,038.51?

A I sent it to his office.

Q That represented your expenses to Dubai?

A Yes.

Q What this is is a reimbursement of those expenses; correct?

A Right.

Q In addition, you received a $60,000 payment from Manucher Ghorbanifar on June 16; is that correct?

A Correct.

Q What was that payment for?

A That was either an investment on his part or a loan on his part. To me, there's a company called Alternative Power, APC, Alternative Power, which was in the development of a cogeneration power plant in Pennsylvania. At a shareholders' meeting, the chairman of the board wanted to in effect turn over the project to Bechtel Corporation. I did not want that to happen.

I wanted to keep the -- we have a license to use the Saarberg technology in Pennsylvania exclusively, and I told them I wouldn't permit it, so he said, well, then, why

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don't you buy our shares back and it came to $60,000, and I tried to get the money from various people, and Ghorbanifar knew some of the things I was doing, and I chatted with him about it, and he then sent me the $60,000 -- came into my account -- and based upon a contract between the selling shareholders and myself, the money was paid to the selling shareholders' lawyers in escrow, and then they turned over the shares. Ghorbanifar was supposed to send additional money for the development of the project which he never did.

Q Let me show you what will be Exhibit 5, which is the bank statement for Furmark Corporation of June 30, 1986. It has attached to it an agreement of June 13, 1986 between yourself, Mr. Weisser, Roag AG and Vipema?

A Vipema.

Q And APC, which is the buyout agreement referred to earlier.

(Exhibit 5 identified.)

BY MR. KERR:

Q Going through the items, there is a credit slip showing a $60,000 credit wired into the Furmark Corporation account by Manucher Ghorbanifar on June 16 and that's the $60,000 amount that you utilized to effect the buyout of the

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stock; correct?

A Correct.

Q There's also a credit confirmation showing $8,038.51 wired into this account by Mr. Khashoggi, and that's the amount that corresponds to the reimbursement of your Dubai expenses; correct?

A Correct.

Q Again, just so we're clear, the $60,000 amount Ghorbanifar paid to Furmark Corporation on June 16 was not related to the Iranian arms transaction; is that correct?

A No way.

Q Similarly, the $8000 amount that Khashoggi paid was not related to the Iranian arms transaction?

A No.

Q Now, when Khashoggi talked to you in June about the problems he was having, give me your fullest and most complete recollection of what it was that Khashoggi told you had happened and the nature of the problems he was having.

A He told me that he had, you know, bridge financed $15 million and he had not been paid any money, and he was concerned.

Q What did he ask you to do?

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A He said just stay on top of Ghorbanifar, find out what's happening, keep me posted, push him.

Q And you then went to meet with Ghorbanifar?

A I would be, you know, wherever I was waiting for him to call me, or to see him. I mean, I sat in Nice maybe for a week and maybe I talked with him once. He came to see me once, you know. I just was sitting waiting.

Q What did Ghorbanifar tell you when you saw him?

A Said he was having problems.

Q Did he describe the nature of the problems?

A No.

Q Can't give me any more information than that?

A No, he didn't even tell me about the McFarlane trip.

MR. GENZMAN: When did you first learn about the McFarlane trip?

THE WITNESS: Sometime in July, middle of July. I learned that in Paris.

MR. GENZMAN: Who told you at that time?

THE WITNESS: It was either Ghorbanifar or one of his Iranians in Paris. I think it was Ghorbanifar. He was upset, under great pressure.

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BY MR. KERR:

Q Let's try to come at this a couple of different ways. $8.1 million was paid to Khashoggi by Ghorbanifar apparently in two slices, a 3 million slice and a 5 million slice, and that payment was made on or about July 24, 1986?

A Well, the first payment was the 3 million paid in July, and then the 5 million was paid in August, I think.

Q Is that what your records show?

A That's my understanding.

Q Ours suggests that they both got paid on July 24, but it makes no never mind to me.

A I know it was two separate payments. That's my understanding of it.

Q No disagreement about that. The only disagreement was the dates?

A The first payment was 3 million.

Q Right. It was your understanding, was it not, that Ghorbanifar had given three checks in the amounts of 1 million, 11 million and 6 million to Mr. Khashoggi?

A Right.

Q What was happening was that when money came into Ghorbanifar's account, it was being allocated against these

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checks; correct?

A Right.

Q And so apparently some European custom allows for partial paydown of checks?

A Right. I never heard of it before.

Q All right, but you were familiar with the fact, certainly by July, that Khashoggi had three checks totaling $18 million in his hands; correct?

A I think so.

Q What was your understanding as to who the beneficiaries of the three checks were, and start with the $1 million check.

A I thought the $1 million check was Khashoggi.

Q The $11 million check?

A I thought it was the lenders of the 10.

Q You thought that to be Canadians; correct?

A Not at that time, but in September.

Q Certainly by September when you talked to Khashoggi, he had attributed the $10 million to his Canadian lenders; correct?

A Correct.

Q And the $6 million was to the other lender;

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correct?

A Yes.

Q Did you ever learn the identity of the other lender?

A No.

Q Was the nature of the other lender ever characterized to you by nationality, sex, business --

A I thought it was Arab, you know, whatever that means.

Q But Khashoggi has never identified that lender to you?

A No.

Q Has he ever suggested to you as it was a member of the Saudi royal family?

A No. He has never said anything to me. You see, the way -- when the money came in, they paid off the $6 million first, so that was, you know, never in the conversation. Pay off the 10 was always where the pressure was; to get the money to pay off the 10.

Q Now, with regard to the events in July, take me through what happened in July. You had meetings with Khashoggi and others about this debt. Where were the

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meetings, what took place, who was present?

A Well, in July I was sitting in Nice, okay, from the 1st until the 12th, at a hotel called the Beach Regency, and I may have -- I may have seen Ghorbanifar maybe once or twice in that period of time. I don't know what day he may have come over for lunch. I was just waiting and Khashoggi would call, I would call him, I hadn't heard anything, I would call Ghorbanifar, don't know where he is, don't know what's happening. I was just sitting, waiting, the whole time.

Then I was going to see Khashoggi in Geneva on the 13th, and then I was told he wasn't coming so I went to Paris. Then Khashoggi did arrive in Geneva and called me up and I said I don't know, I'm trying to find out where Ghorbanifar is. You only know when he calls you or you see him because you never know where he is. Then I was in Paris, you know, from the 15th to the 24th, and I believe I may have seen Ghorbanifar in Paris.

I'm not sure that was the time his health was in bad shape, he was under unbelievable pressure because he knew that Khashoggi's checks were worthless that he gave him unless he could get this back on the track. I believe that

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it was during this period of time that he went -- I'm told he went to Tehran, then to Damascus, then to Beirut to accelerate or to assist in getting the release of Father Jenco because he knew unless a hostage was out, Khashoggi would get no more money, no more shipment and Khashoggi would be out his money. He was taking medication, high blood pressure, pains -- he was in terrible, terrible shape with the pressure because here, you know, Khashoggi, who he had developed a relationship with, was out $15 million.

Q All right, did you and he discuss anything about the problem? Did he attribute the problem to anything in particular?

A Then they got -- then he explained to me about the pricing problems.

Q Did that occur in July?

A I think maybe it was in July or August. It may have been after the first payment that they had a microfiche on pricing and they checked it out and there were anywhere from, you know, 300 percent to 600 percent inflation on the various items. That was part of the problem.

Q Did he attribute the overpricing to any particular motive?

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A He made the comment that, you know, some of the funds may have gone to the Contras, [redacted]

Q Did he tell you what he based that on?

A No.

Q Did he tell you who he was dealing with in the U.S. government?

A I heard the name North.

Q What did he tell you about North?

A He was, you know, he only had the highest compliments for him, you know, whenever he talked about him, but other than that, no details.

Q Did he give you any further explanation of why he thought money might have been generated out of this transaction that was being used for the Contras [redacted]

A No.

MR. GENZMAN: Who was giving you this information?

THE WITNESS: Ghorbanifar.

BY MR. KERR:

Q Now, your role at this point was basically to keep

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an eye on Ghorbanifar for Khashoggi; is that right?

A That's right.

Q Were you asked at this time to do anything vis-a-vis the U.S. government yourself?

A No.

Q Take me through events in which you participated in August relating to this matter.

A I was in New York until I guess the 11th, and then I went to Paris and I was there until the 18th, and then I had to go to Oklahoma City. I was there for two days and I came back. Basically, I think Ghorbanifar was desperate because Khashoggi no way is getting his money, and he was doing everything he could to try to get the contract completed.

Q All right. Did you meet with Khashoggi and Ghorbanifar while you were in Paris?

A I think so, yes. I don't have any dates, but it is my recollection.

Q Can you describe for me what was discussed between you and Khashoggi and Ghorbanifar in August in Paris?

A I think basically, you know, Ghorbanifar said the problems he has and until he gets it right, Khashoggi isn't

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going to get his money.

Q Any further discussions of diversion of funds or overcharges?

A Yes, I think, you know, it was mentioned that the inflated pricing -- but it was not, you know. The main thing was how could Khashoggi get his money back. How can he get it back on the track.

MR. GENZMAN: Did Ghorbanifar specify exactly what the problem was? Did he go into detail?

THE WITNESS: Yes. Not at that point, okay?

MR. GENZMAN: Not at that point?

THE WITNESS: He told me, you know, I don't know, go ahead, but when I went to see Casey in the CIA he said, you know, that 63 parts that were delivered were either defective or next generation or old generation or whatever, and that had a value of $3 million, and that 299 parts were never delivered which had a value of 7 million one.

And that's why Iran didn't pay Ghorbanifar and that's why the checks Khashoggi had deposited never got covered because they prepaid $15 million and let's say for 800 items, whatever the number is, I don't know -- and some of the items delivered were defective or different generation

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which didn't fit into their system, but 299 items were never delivered, which were paid for with the $15 million deposit.

So that's when I went to see Casey -- was, you got to complete the contract so Ghorbanifar can be paid by Iran so Khashoggi can get his money, and that is the basis of going to see Casey.

BY MR. KERR:

Q All right, how frequently were you meeting with Ghorbanifar and Khashoggi in August of '86 regarding this matter?

A In August?

Q Yes.

A Maybe once or twice. I mean, I don't have it down, but I'm just sitting and waiting and waiting and waiting. That's the Middle East game is sit and wait. I would go to have a meeting with somebody and it could be three days before they call you.

Q All right, let's move into September. What happened in September? Why don't you run through where you were in September first?

A On the 10th, New York, London; then London on the 11th. 12th I went to Paris and on the 13th, Paris, London,

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back to New York.

Q During that period, did you meet with Ghorbanifar and Khashoggi?

A I presume so, but I don't have any record, but I presume that I may have saw -- I know Ghorbanifar went to the hospital. I'm not sure when, and it could have been maybe this time he was in the hospital in London, but it could have been another month. I don't know, and I presume I may have saw Khashoggi, but I don't have it down, unfortunately.

Q At some point it was suggested to you that you try to get in touch with Casey or you made that suggestion. Tell me how that came about.

A I didn't make the suggestion. They knew I knew Casey through Shaheen.

Q "They" being both Ghorbanifar and Khashoggi?

A Yes. And I think, you know, earlier, they were thinking about that they would need some help in Washington and they had mentioned to me -- Ghorbanifar thought he would maybe get it resolved. And basically, the checks which Khashoggi had were worthless unless the contract was completed and Iran paid money into Ghorbanifar's account so he could get his money. Ghorbanifar said he was cut out of

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the transaction. They were dealing with another individual.

Q When did that come to your attention?

A Maybe it was September or October, you know. It was prior to the meetings, okay, with Casey.

Q First meeting was October 7, so it was before that?

A Because I was -- in October, I was in London on the 2nd, 3rd, 4th, 5th and the 6th I went to New York and I saw Casey on the 7th.

Q Right.

A And so the reason for me going was to alert Casey and the government that the contract had not been completed.

Q I understand that. Before we get to that, who suggested to you that you see Casey or did you suggest it and what instructions were you given?

A Khashoggi asked me to go and see Casey. He told me to tell Casey the situation, which was what I just said, that Ghorbanifar is now cut out. The only way that Khashoggi can get paid is if Ghorbanifar is involved in the completion of the contract so he can get his money with the checks of Ghorbanifar which the bank is holding.

Q And what was it that Khashoggi thought Casey could

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do under those circumstances?

A Well, I think Khashoggi thought that once they had examined that, the contract was not completed, they would complete the contract.

Q And why was it Khashoggi thought Casey had anything to do with this transaction?

A Well, Khashoggi thought or knew it was an American transaction through his conversations with Nir as well as what Ghorbanifar was telling him.

Q This was the first time Nir has come into the picture. What do you know about Khashoggi's relationship with Nir?

A I don't know anything.

Q Nir is in the U.S. in September of 1986. Were you aware of that?

A No, sir.

Q And were you ever privy to any of the conversations that Khashoggi had with Nir?

A Never.

Q What did Khashoggi tell you about Nir or his relationship with Nir?

A Nothing.

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MR. KERR: Let's take a break for a minute.

(Recess.)

BY MR. KERR:

Q Let's move to October. At Khashoggi's request, you set up a meeting with Mr. Casey for October 7, 1986; is that right?

A Yes.

Q Did you actually talk to Casey on the phone before that meeting on October 7 or did you simply schedule it through his secretary or what happened?

A Through his secretary.

Q Through his secretary. So there was no conversation between you and Casey until the time of the meeting; is that correct?

A That's correct.

Q The meeting took place at the Old Executive Office Building?

A Yes.

Q Was anybody present besides yourself and Mr. Casey?

A No.

Q Can you describe for me in as much detail as you

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recall what was said between you and Mr. Casey at the October 7 meeting?

A I said I was there at the request of Mr. Adnan Khashoggi and I said that he had been doing the bridge financing for Ghorbanifar in the transaction involving Iran, and that Mr. Ghorbanifar was now out of the picture. I explained to him the bridge financing mechanism and that Mr. Khashoggi can only be paid if the Americans deliver the rest of the goods, and then Iran will pay Mr. Ghorbanifar into his account and then Khashoggi will be paid. That's basically, you know, what I told him.

Q How long did the meeting last?

A Maybe half an hour.

Q All right, did Casey affect any prior knowledge of this transaction; did he show that he knew about it?

A No, he said to me -- I had mentioned that the money was paid into Lake Resources, and he said he never heard of that account. He said I don't think it is one of our accounts. He said this is not my operation. Sounds like it is an Israeli operation. Then I told him that it was being handled by North, and he said, well, I will look into it, and then he got on the phone. He was going to call

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Poindexter and have him come over and Poindexter was not there.

He knew Ghorbanifar. He recognized Ghorbanifar right away. But as to the transaction, he said it sounds like an Israeli operation. As to Lake Resources, he didn't think it was one of his accounts and he said he would look into it. Then as I left, he said I would appreciate it if you would see one of my guys and give them all the details of everything that you know about it, which I said I would do.

Q What did you tell Casey about the Canadians at that first meeting?

A I told him that it was in Khashoggi's mind. Khashoggi had financed it through Canadians, which is what I was told, and I told him that Ghorbanifar was thinking about talking to some members of the intelligence committee. I mentioned two names. I mentioned Senator Moynihan and Senator Leahy.

Q Now, the story of the Canadians; you were relating what had been told you by Khashoggi?

A That's correct.

Q What had Khashoggi told you as of that time about the Canadians?

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A Khashoggi told me he was under great pressure. He borrowed the money from -- he gave the names Miller and Fraser, and he was under lots of pressure.

Q What kind of pressure?

A Financial pressure. I learned after, you know, that he put up collateral. I didn't know it at that time and going to -- when I went to another hearing, he told me that in effect, the Canadians had only facilitated the borrowing for him.

(Discussion off the record.)

BY MR. KERR:

Q Let me show you a memorandum that Director Casey prepared, apparently of your meeting. This has previously been marked as Allen Exhibit 74. I would like you to look at it and see if it gives you any further refreshed recollection of what happened at that first meeting you had with Mr. Casey.

A Well, I don't think I ever mentioned the loan was repayable in 30 days. I said it was long overdue, and they were putting on lots of pressure on Khashoggi. I didn't say without any collateral. I didn't know, but Khashoggi had borrowed the money so we presumed it to be his signature.

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The Lake Resources was in there. I didn't -- he believes the members of the group were talking to Leahy, Cranston and Moynihan. Ghorbanifar was talking about talking to these three. 63 pieces defective and 299 were missing. He has the same.

Q Looking at that memorandum, do you have any further or fuller recollection of what was said between you and Casey?

A Well, first, the Canadians put in $10 million, not $15 million.

Q I know what reality is today. Do you think you told him $10 million on October 7 and he just got it wrong?

A I told him $10 million. That was what was missing. I mean, you know, the thing was that the final message was, the only way to handle this matter was to supply the rest of the equipment. We discussed how you go about it, you know, finalize the contract that's been prepaid for, or if you are not going to deliver, refund the money, and he said he would look into it and get back to me, and --

Q All right, did he, in fact, get back to you?

A Allen called me for a meeting and I came down, I think, on the 16th.

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Q Before the meeting on the 16th did you hear anything from anybody else on this matter?

A No.

Q Are you familiar with a telephone number, area code [redacted]

A Right.

Q Whose number is that?

A Mine.

Q Do you have a recollection of having a conversation with Lieutenant Colonel Oliver North on or about the 9th of October regarding this matter?

A Never.

Q So to the best of your recollection, you and North never talked; is that right?

A That's right. In fact -- on what day?

Q The 9th of October?

A I was in London, but I never talked to him.

MR. KERR: Well, let me just mark for reference purposes Exhibit 6. It is an exhibit from the notebooks of Colonel North from October 9, 1986. It is a note that was taken at a luncheon that North had with Director Casey on the 9th.

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(Exhibit 6 identified.)

BY MR. KERR:

Q As you note, there's a reference to you and your telephone number, but it is your recollection that you never spoke with Colonel North; is that correct?

A I never spoke to him and I was in London on that 9th. I never spoke to him.

Q At any point in time?

A At any point in time.

Q All right, with regard to Allen, Allen called you, and what did he ask you to do when he called you?

A To set up a date.

Q To meet?

A To meet. He asked me to come down on, I think it was the 16th, and I came down to Washington to meet in the executive office building.

Q All right, and you met Allen and you also dealt with Casey that day; is that right?

A Right.

Q You met Allen at the Old Executive Office Building?

A Correct.

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Q And you met Allen without Casey being present?

A Correct.

Q Let's deal with Allen, then, first. What do you recall happened in the conversation between you and Allen?

A I began, you know, going over in detail the bridge financing transaction. I told him that Khashoggi had done this on three previous occasions, and I told him that Ghorbanifar is no longer involved and Khashoggi can't get paid unless they complete the contract. We had a short meeting because Casey was flying up to New York to go to Governor Smith's dinner and asked me if I wanted a ride back and I said yes, so when he was ready to go, that was the end of the meeting.

Then they took me to wherever Casey was going and we went to National Airport and his wife was there, and the three of us flew up to New York in a plane and then he went out to Long Island or wherever he was going and I went home. But the meeting with Allen was just beginning to go through the detail; he asked me questions, what I knew, but then the meeting was cut short and he said he would like to meet again.

Q Let me review with you some things that Allen

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relates as having been told to him by you on October 16. Let's see how it corresponds with your recollection.

Allen said that at the meeting on the 16th, you said that the idea of providing Iran with military equipment in exchange for American hostages originated in the summer of 1985, and that you, along with Ghorbanifar, traveled to Tel Aviv in August of 1985 where you met with a number of Israeli officials, including Mr. Nir, the Israeli special assistant prime minister for combatting terrorism. Do you recall relating that to Mr. Allen?

A No, sir, because I went in June.

Q Okay, so there's a transposition of dates, and the actual trip to Tel Aviv was in June of '85?

A Right.

Q Beyond that, did you meet with Nir?

A No, never. No, I met him after the whole thing blew up and after the Tower Report was done. Only time.

Q But you did not meet with Nir in the summer of 1985?

A I did not meet with Nir.

Q And you did not tell Mr. Allen that; is that right?

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A I did not.

Q Then Allen goes on to say that you said that after a number of false starts in late '85 and early '86, Khashoggi agreed to finance another arms transaction in May of 1986, just prior to Bud McFarlane's secret visit to Tehran. He borrowed the money from a number of Canadian financeers. On the basis of a signature loan, he borrowed 15 million at 15 percent, agreeing to pay principal and interest in 30 days. Do you recall telling Mr. Allen that?

A No. I never said he borrowed it for 30 days and I never said he borrowed it for whatever that rate was. And I don't know where he got the false starts. I had no idea of any false starts. I never knew about the November transaction.

Q You were aware, were you not, that Allen was making notes while you were meeting with him?

A He was making some notes, yes.

Q His handwritten notes correspond to his written notes. For example, the Tel Aviv trip is down in his notes as August of '85.

A To be fair to Allen, I have pinpointed the Tel Aviv trip now in June. I thought maybe it was in July, you

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know, I didn't tell him exactly that it was August. I may have said the summer of '85 because I really had not gone into detail. I was trying to give him as much information as I could so they could have everything that I had.

Q With regard to the Canadians, Allen says that you told him at the meeting on the 16th that the Canadian entrepreneurs have investments in oil, gold, mining and real estate; reportedly are aggressive, tough-minded individuals with influential contacts in Washington. They have told Khashoggi that unless some payment on the principal is forthcoming, they will begin to inform individuals like Senators Leahy, Moynihan and Cranston around 15 October about this back channel deal with Iran and how they have been swindled.

Furmark stated he was not authorized to state the names of the Canadian investors, asserted that we should not underestimate the determination of the Canadians. Claimed they have a reputation for dealing roughly with those who do not meet their obligations. Khashoggi allegedly is trying to get them to extend the 15 October deadline, was unsure whether he would be successful in this effort. Do you recall relating those things to Mr. Allen?

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A I don't know that descriptive, but my understanding was that they were determined to, you know, get the money, and that Adnan was under extreme, extreme pressure, but it was not -- it was Ghorbanifar who was talking about the three senators, not the Canadians, as them being, you know, rough or tough or whatever the language was. They were determined to get their $10 million back, was my understanding. They were putting tremendous pressure on Mr. Khashoggi.

Q And you related that to Mr. Allen?

A Yes.

Q And basically what you were telling Mr. Allen was that unless the Canadians got satisfied by getting Mr. Khashoggi satisfied, the Canadians were going to bring this thing public?

A They were going to sue Khashoggi and therefore Khashoggi would have to, in turn, bring the U.S. government involvement in.

Q How were things left with Allen at the conclusion of this?

A He was going to call me because he wanted more information, and Casey said, you know, we're leaving and they

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collected me and went up to another building where Casey was, and when he came out, went into a car to the airport. Then he called me for another date and he came up to New York.

Q With regard to the meeting of October 16, our documentary references to the meeting are Allen Exhibit 78 and Exhibit 80.

With regard to Casey, you flew to New York with him; is that right?

A Right.

Q What did you and Casey talk about on that plane ride?

A We talked about Ghorbanifar and we talked about comparing this to a commercial transaction. Somebody prepays the money for a thousand items, you only deliver 500; if you can't deliver the whole thing, deliver a partial delivery. And so I was suggesting to Bill Casey that, you know, try to send a small shipment so that Ghorbanifar may be able to take another 5 million to take the pressure off Khashoggi.

And he, you know, indicated he would look into it, and he indicated just sit tight, and we talked about Ghorbanifar. He failed the lie detector test, and I said, that may be, but I said, he is the individual who did the

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transactions, and he is the individual that got Weir and Jenco out; he set the McFarlane trip up. He's the guy that did these things, and now Khashoggi is in trouble because he can't pay him, and Mr. Casey --

Q Give me some sense of the degree to which Casey was indicating to you that he was familiar with this transaction, that he thought the government had a responsibility for the transaction --

A No, he did not indicate that the government had any responsibility for the transaction. He indicated that he was working on the problem, and he said, you know, $10 million is a lot of money, and he could understand why Khashoggi, as rich as he is, still $10 million is a lot of money. And we went back and forth, and he said, just give me some time.

And his wife was there and we talked about, you know, Mrs. Shaheen and other people, how my family was, how my business was, what was happening, talking about alternative power, which he was very intrigued with because we discussed it at the first meeting and he thought maybe there was potential in Latin America for lots of cogeneration and he was going to help. So it was, you can only talk so long about Ghorbanifar and about Khashoggi's money, and then his wife -- it is a small little plane, you know, and he said, you know, just sit tight and --

Q Did he give you any notion of how long he wanted you to sit tight or did you tell him how long you thought you could sit tight?

A No, he kind of indicated toward the end of the month.

Q You thought he thought he could do something for you by the end of the month?

A I thought toward the end of the month, maybe. He said, I'm not involved in this but I will see what I can do.

Q Did he give you any better notion of who was involved with this thing?

A No, other than, you know, at the first meeting I mentioned North, and then he called Poindexter up to have him come over to discuss it. I did not say, well, what happened when you met with Poindexter. I was appreciative that he was seeing me and trying to help me and help Khashoggi out with his problem. He could have just as well, you know, have not seen me or put me off. He's not that kind of a person. He asked how my family is, and it was, you know -- how other

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people were.

Q After you got off the airplane on the 16th of October, I assume you called Khashoggi and reported in to him?

A Probably.

Q What did you tell Khashoggi at that point?

A I told Khashoggi that it is being worked on and we just got to, you know, do nothing. Keep everybody quiet. Hopefully something can get done.

Q At this point, does Khashoggi tell you anything more about the Canadians?

A No.

Q There's a subsequent meeting with you, Allen and George Cave, correct; that happens about the 22nd of October?

A Correct.

Q That was a meeting also arranged by Allen?

A Yes.

Q It happens in New York?

A Yes.

Q Where does it take place?

A I meet them at, I think the Roosevelt Hotel where they are staying, and George Cave was introduced as like

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[redacted] and some other name, and then we go to Chrysalis, a restaurant on 46th Street not too far away. We have a nice meal, a few drinks and chat and talk, and during that time, in between eating, Charles Allen is taking some notes and it is during that meeting that Cave tells me that he was involved in the logistics, as he says, of the transaction. And it is at that meeting he tells me these are Hawk missles, which I never knew. We start again and we go through the thing, and basically, you know, the same story is told.

We go into the bridge financing, how it is done, getting the post-dated checks, getting -- in the case of February, you get 20 percent to cover financing costs and other expenses, and in the May 15 transaction a total of 18 million, which is 20 percent. And that mark-on was, according to Khashoggi, approved by Ghorbanifar and the Iranian government that they could add on that much to cover financing costs because it took in the first transaction, February 10 to April 11, you know, 60 days before that got concluded, and Khashoggi had to induce people to lend money to him, so I don't know what the profit arrangement was, so we went into, at that time, the inflated pricing and --

Q What were you told, if anything, by Allen and Cave

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on the inflated pricing?

A They had no comments.

Q They are extracting information from you, but not returning any?

A But, I mean, Allen thought, you know, Ghorbanifar did a good job. Cave, they were all complimentary, you know, about Ghorbanifar and what he has been able to do, et cetera, and they didn't go into any details, really, what happened in this, why it didn't get concluded. They knew that Ghorbanifar said so many pieces were not delivered, so therefore you can't get paid. They know all those details, okay. And they asked me what I thought of Ghorbanifar, what else I knew. I told them whatever I knew. I was trying to be helpful, to let them know everything I knew, however small it was.

Q Did you get any sense from them as to how or when this problem was going to get resolved?

A No. They said they were going to go tomorrow and brief the director, the next day they would brief the director on the meeting, and --

Q Okay.

A I kind of told the same story each time I met

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them, so I'm not sure what more -- they got more detail. They got the precise details of what I knew, okay?

Q Do you recall discussing with Mr. Allen and Mr. Cave the Hashemi suggestion that he could deliver American hostages in exchange for his indictment being quashed?

A I don't recall. I'm not saying -- did they bring it up or --

Q I'm looking at Allen's notes and he says you told him about Hashemi's promise to deliver the hostages if the indictment was lifted and that you told him about Khashoggi and Hashemi parting ways in August of '85 --

A Yes, I probably did, because he was asking me did I know whether Ghorbanifar was involved with Hashemi. I think he asked me those questions and I said I really don't think so. As a matter of fact, I feel that Ghorbanifar could not stand Hashemi. I had that feeling.

Q All right, now the notes also indicate that you told Allen and Cave that Ghorbanifar believed that the 15 million, that $15 million had gone to Nicaragua. Was the meeting on the 22nd of October the first time when you had raised the diversion issue?

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A Yes. When I saw Casey, it was just the general solve the problem because you must remember, in February, we learned later that there was unaccounted-for funds in the February transaction but Khashoggi got paid. And so I was just hoping that once they analyzed that, they had not delivered all the parts and they had defective parts, that somebody would say, yes, let's complete this so Khashoggi can get paid and then we won't have problems with Ghorbanifar. That's what I thought, you know, would have been the result, you know. That would be the perfect result that they would analyze and realize that they had this problem not completing the contract. If somebody else brings it up, maybe they will review it and do it.

Q Circling back on Hashemi, apparently you were asked about the sting operation in April of 1986, and according to Allen's notes, you told Allen that Ghorbanifar was not involved in that operation.

A To my knowledge. He asked me that question.

Q And then there's a reference, something to the effect that you said Hashemi had set up the Israelis with Sam Evans?

A What I said was that Hashemi would do anything to get rid of the indictment that he had. and I don't know whether I used the word "set up," but I said that was his goal in life was to get his indictment, you know, withdrawn.

Q Did you have knowledge about what Hashemi had actually done?

A No, none whatsoever.

Q The reference here that you told them that Ghorbanifar had spent one and a half million of his own money on this project. Did you make that representation?

A I think Ghorbanifar said that he was going to have to spend, I'm not sure of the amount, additional monies on the project.

Q What knowledge had you had about Ghorbanifar's investment of his own funds? Had he invested funds, to your knowledge?

A No, but all I know is he had no money. He was always broke.

Q There's also a reference that you told him on the 22nd that Mr. Khashoggi had had the Canadians fly out of Europe to meet with him in the last few days. Is that true?

A I think that the Canadians were very close to Khashoggi during these crucial days. I don't know whether he asked him to fly. That I don't recall.

Q Did you participate in any meetings with the Canadians?

A No.

Q What was Khashoggi telling you about them other than the fact they wanted their money?

A They were trying to foreclose, you know, on his collateral, which was worth $35 million or $25 million, he owed them 10. He would have not only lost the 10, but he would have lost the differential. In fact, I even questioned him how could you have such an agreement whereby they foreclose and take it all?

He said, well, that happens a lot, but you know -- normally they get the money and the differential goes back to the party who put the collateral up after it had been paid. So I think he was talking about losing not only 10 but the whole collateral, which was about 25 or 30 million.

Q There's also a reference towards the conclusion of his notes that you say a leak will occur and that McFarlane, Poindexter and North know everything. Do you recall discussing those items with you?

A A leak will occur?

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Q Yes.

A You know, I don't know whether I actually said a leak will occur because I did not know a leak would occur, and I may have said to him that Poindexter and North knew everything because that's what Ghorbanifar told me. Now I don't know how I could say McFarlane knew everything because, you know --

Q There's another reference here that you said a leak would not be good, especially for things south of the border. Do you recall discussing the impact of a leak on Nicaragua or anything else south of the border?

A I said "south of the border," I didn't say "Nicaragua"?

Q South of the border is in quotes, yes.

A You know, I don't recall. I may have said it.

Q Okay. I will tell you what. Why don't you take a quick look through Allen's handwritten notes made on the 22nd and read through it, see if it gives you any further recollection of what you would have discussed with Allen and Cave at that meeting.

A All right, now, there's no way I would have said "latest deal started April of '86." I didn't know.

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Q He is not the only one that says that. Mr. Cave says the same thing as having been discussed by you at that meeting, so isn't it a fact that by this time, you had discussed with Khashoggi what had happened and you knew that this deal had been done in April of '86?

A No. I never knew that. He had an April meeting with Amir and Israelis. I never knew about any meeting on the 2nd. I never said anything about the 30-day loan. You get paid after the shipment is made and they inspect it and then they pay it.

The first five million, I never knew that. I knew it was one and four and that's what they got paid. I never knew of any markup of a million.

Q So what you are saying is that these notes by Allen, which apparently he was taking contemporaneously while talking with you, don't reflect things that you were telling him?

A I never knew there was a $6 million payment in August and September. All I know is a million and a four million, and Khashoggi got paid five million and put up five million. It may be that they knew about it because through their intelligence or what, but I never knew.

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Q All I can ask you to do is tell me where these notes differ from your recollection of what you and Allen were talking about.

A It says "stayed at Nimrodi's house." We stayed at the hotel.

Q Cave makes the same reference that you stayed at Nimrodi's house, but that's not what you recall having told them; correct?

A I may have been visiting his house in the daytime, but they took us to the Hilton Hotel and we stayed there.

Q Okay.

A First flight to point Tango.

Q That would be Tehran.

A That may be their code name. It is hard to read everything that clearly.

I told them all about Hashemi because they asked. This says "believed the 15 million went to Nicaragua." I think what I said was that Gorba thought a substantial part of that went. I never said 15 million. Then there would be no money for whatever the transaction was. Gorba would not return Hashemi's calls. I was told that. That would have nothing to do with -- I mentioned, I think, Hashemi's brother

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was in Danbury prison. I may have. I don't think I said Hashemi set up the Israelis. That could have been the case, because I don't know.

I see Delta is Damascus, I guess, and point Bravo is --

Q Beirut. Point Bravo?

A Bravo?

Yes, I don't know what this is, I guess "pressure on Gorba" -- I don't know what that last word is. I guess it means until he gets it done.

Q I think it is supposed to be unbelievable.

A Okay. They tried to get him out [redacted] Okay, yes, somebody called the PM's office and said we're not delivering because the minimum hasn't been paid, and that hurt Ghorbanifar, according to him, with the HM when they had already paid in advance.

Q This would be the Iranian prime minister?

A Yes. He was in the hospital, okay? When I saw Bill on the plane --

Q Mr. Casey?

A Yes, Bill Casey. Ghorbanifar told me that the

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Iranians were planning more kidnappings or they were planning some activity. I don't think I used the word "kidnappings," and some factions were going to do that. I told Bill on the plane, I'm just telling you what I heard.

Khashoggi was saying, you can't do anything, kidnappings, you know. In fact, it says the condition that he is involved that they do nothing to anybody, not only Americans, but nobody. It says "Roy's concept," "G" is "agency." Ghorbanifar? CIA?

Q I don't know. It doesn't correspond to your recollection. That's what I'm trying to find out.

A I was saying, you know, he released the two hostages, he received Bud in his elevation. Had they picked up Reed in Cicippio?

Q As of that date? I believe so.

A I know Ghorbanifar said it is people who are in the business -- it is not his people, just trying to get money. Some of this I don't understand, but basically, it is a lot of things that we discussed. Ghorbanifar used to call Nir Adams. Really it was Tel Aviv, Adams was calling Tel Aviv.

Now, solution to the pricing problem, two

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shipments of TOWs, 500 TOWs and Zebras. I never heard of it. What I may have said was that they had agreed that, yes, it was overpriced and so we'll send 500 TOWs, I think, to offset the pricing problem. And that was what I had been told, but I never heard of Zebras and two shipments and 500 TOWs and stuff like that.

Q Well, on that score, Cave indicates that your suggested solution to the problem was to let Ghorbanifar handle the shipment of the remainder of the Hawk spare parts, that the proceeds from that would allow him to take care of the Canadian pressure, and that there would then be a shipment of 500 TOWs for one hostage and another shipment for the second hostage. Do you recall proposing that?

A Never said it at all. Our solution was just to complete this contract and if you want to work with somebody else, Ghorbanifar is finished, but just complete the contract. The thought of my solution was that we'll give hostages for shipments, you know --

Q You were not proposing that?

A No. I wasn't proposing anything other than to make partial shipment or refund the money or whatever, but I was -- in no way did I do what you said. They would make a

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partial shipment, Gorba said he could get another 5 million out, then there would only be 5 million they had to collect and it would take a lot of pressure off. Canadians believe money has been stolen. That they have been -- I can't read the word.

Q "Swindled"? Is that the word?

A Maybe that's it. Now he has this thing under Ledeen. Roy met once or twice; leaks would not be good especially with anything south of the border. This thing with Ledeen I can't understand.

Q You can't relate to that comment?

A We've always said we wanted to make money after peace was in the area. That was the whole reason to show the support for Khashoggi supporting Ghorbanifar.

Somebody's [redacted]

Q Look like [redacted] 50 million. Does that mean anything to you at all?

A No.

Q Okay.

A [redacted] Who is [redacted]

Q The [redacted] I know [redacted], but --

A We covered lots of it, either at that meeting or

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at the first meeting.

Q Well, these notes were taken by Allen during the course of the meeting on the 22nd of October. You have told me the things that don't square with your recollection. Does looking at these notes give you any further recollection of what you discussed with him at that meeting?

A No, I think, you know, we were eating and talking and eating and drinking and talking, and they would ask me questions and I would give them, you know, whatever reaction I had or what I had heard or whatever to try to get them as much input into, you know, the situation.

Q Our documentary references to the October 22 meeting are Allen Exhibits 81 and 82.

THE WITNESS: Can we take a break?

MR. KERR: Sure.

(Recess.)

THE WITNESS: I want to comment with reference to the notes that he may have just picked a few words out where I said this could be a possibility or this or that, you know.

MR. KERR: Sure. I understand.

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BY MR. KERR:

Q Now, after the meeting on the 22nd, apparently you called Mr. Allen on the 5th of November and asked him for a meeting on an urgent basis. Do you recall doing that?

A I said I want to talk with him on the phone. He said, don't talk on the phone. Come and see me.

Q What prompted the call? Why were you calling?

A I think Ghorbanifar told me that Secord is deeply involved in this thing. -- I'm trying to think. I think that was -- that Secord was involved; this was the 7th?

Q The 6th, I think, is when the meeting actually took place.

A I met him at a hotel.

Q Right.

A I had a sandwich. I think that's the first time I brought Secord's name up because I didn't know about it until then. Let me just see. On the 7th --

Q Let me run through what Allen says. He says you called him on the 5th to request an urgent meeting in Washington; that you then met with him on the afternoon of the 6th at the Key Bridge Marriott Hotel. Does that refresh your recollection?

A Yes.

Q All right, in terms again, what caused you to make that call? What had happened? Had Khashoggi said you have to do something? Why was it urgent for you to meet with Allen?

A I'm not sure. I'm just trying to think. Is that the day when I gave him the Ghorbanifar's bank account number?

Q Yes.

A He asked me to get the number, and I got the number from Ghorbanifar, and he said, don't talk on the phone, come down. So that's when I gave him the number and that's when I told him that I learned from Ghorbanifar that Secord is deeply involved in this transaction. I think at that meeting, you know, I disclosed the names of Fraser and Miller to him.

Q Right.

A I don't think I called him that urgent. I think I told him I have the Ghorbanifar number and he said, let's don't talk on the phone, come down, and that's why I went down, and then we probably rehashed the whole thing again about the pressure that Khashoggi was under. Talking about

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retaining lawyers, I think, getting a lawyer in Washington.

Q His notes reflect the following?

A I did not know the name of who Adnan was talking to as far as legal counsel.

Q The first item mentioned in Allen's notes of the conversation with you, something to the effect that unless payment is made, Canadians retaining law firm that handled case involving President Nixon have given Roy until Monday or will file suit. Do you recall making that representation to Mr. Allen?

A Well, I don't think that is clear. I think Adnan said they were going to retain lawyers, and you know, proceed. He was under unbelievable pressure.

Q Do you recall identifying the law firm?

A I did not know the law firm.

Q Do you recall telling him it was a law firm that had a connection with President Nixon?

A Well, the only law firm that I know of with Nixon is Mudge, Rose in New York, you know, and that name --

Q With regard to other things that he -- in the notes he said you said you weren't certain against whom the suit would be filed.

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A It would be against Khashoggi and Khashoggi would have to in turn sue -- you know, bring somebody else into it, whether it was Lake Resources, the government, somebody who had the money, and there's a question of who, you know. First of all, you can't just sue the government. You have to get permission to sue the government, is my understanding.

Q With regard to this lawsuit, who told you that the lawsuit was going to be filed?

A Mr. Khashoggi.

Q What did Khashoggi tell you in that regard?

A He said that they were going to retain Washington counsel.

Q You say "they." Talking about Fraser and Miller?

A The lenders.

Q Well, you identified the lenders in this conversation as Fraser and Miller.

A Right.

Q Were you telling Allen that Fraser and Miller had retained counsel and were about to file suit?

A Khashoggi said they were going to retain counsel in Washington to begin proceedings.

Q All right. Now, Allen in his notes says that you

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gave the following direction, and it appears that you were suggesting that the United States pay $10 million into Ghorbanifar's account at Credit Swiss at account number [redacted] main branch Geneva, care of the name of a banker. Do you recall giving that suggestion to Mr. Allen?

A I gave him the number because he asked me to get the number and I got if from Ghorbanifar and gave it to him, but in my own mind, I never dreamed that they would ever refund any money. The way to do it is to complete the shipment.

Q Do you recall making a demand or a suggestion to Allen that the United States put $10 million into this account?

A I said if you are not going to do it, maybe you are going to refund the money, but he asked for the account number I got it for him; he said he needed it. I did not demand that he put the money in. I gave him the account number because he requested it. He didn't have it from his intelligence and if they were going to do anything for him, they needed an account number.

Q There's a fairly elaborate description of how Ghorbanifar's account had been attached by the Canadians. Do

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you recall going through that description?

A That his account had been attached?

Q Who gave you that information?

A Mr. Ghorbanifar.

Q He told you that the account had been attached by the Canadians?

A Yes.

Q And he is talking about the same Canadians, Fraser and Miller?

A Yes. The Canadians, yes.

Q So you had had a conversation with Ghorbanifar about the Canadians?

A Yes. He told me that his account has been attached, I think, by whatever it was, the Canadians.

Q All right, when you did have this conversation with Ghorbanifar?

A Probably on the telephone. I may have been with him. I don't show going anyplace in November other than the 16th I went to Aruba, down to the Caribbean, and last time I was in London looks like it was the 11th, according to this here, so maybe it was on the telephone or maybe he had told me -- he said his account had been blocked or they have done

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something, they have blocked his account, attached his account. The exact language I'm not sure, but his account was frozen in effect.

Q All right, apparently during the course of this conversation, you told Allen that you had been led to believe that Director Casey was going to clean this matter up by early November. Do you recall relating that to him?

A I don't know whether it was in those exact terms, but Casey was trying to help us and he told us, you know, sit tight until the end of -- until November.

Q And this was now November and you wanted some action, I take it.

A Well, we wanted to know what was happening, you know.

Q Do you recall characterizing Mr. Miller to Mr. Allen as being real sleazy and corrupt?

A No. I said that they are tough lenders and they want their money, but "sleazy" is not a word in my vocabulary. I don't use it, I don't think I use it because I had only met Miller once, and that was in the lobby of a hotel.

Q Do you recall discussing the swami, the California

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swami, with Mr. Allen?

A Yes.

Q What do you recall in that regard?

A I was asked the question about the swami and I told him that I think that Miller was an adherent to the swami's religion.

Q Let me show you Mr. Allen's handwritten notes of the meeting on the 6th of November. Let's go off the record to give you a chance to review them and we'll see if they give you any further recollection of your conversation with Mr. Allen.

(Discussion off the record.)

BY MR. KERR:

Q You've had a chance to review Mr. Allen's notes of the meeting on November 6. During the course of that review two items came up. There's a reference to the Bank of Montreal being the bank of the two Canadians, and the bank which had attached in some fashion or another Mr. Ghorbanifar's account in Switzerland. From your comments, I take it that you do not have any recollection of having mentioned the Bank of Montreal to Mr. Allen?

A I don't recall the Bank of Montreal. I don't

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think any bank was ever mentioned.

Q The other item that you raised was the item related to General Secord. Mr. Allen's notes make reference to Mr. Secord as being involved in the financing of these transactions with North and you said that would not have been a comment that you made; is that correct?

A I was told Secord was deeply involved. I didn't know that he was involved in the financing. I didn't know what his real role was. I knew he was involved.

Q Who had told you that Secord was involved?

A Mr. Ghorbanifar.

Q Do you remember what more he told you in that regard?

A No, I think that's all he said because I think he knew that by mentioning the name, it was enough for the people involved.

Q Coming back to the $10 million, there's a reference to pay $10 million in these notes, and Mr. Allen's typewritten summary of the notes says that you said that somehow $10 million should be paid into Ghorbanifar's account at Credit Swiss and gives the account number. So we're clear, were you or were you not telling Mr. Allen that to

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avoid publicity resulting from a suit to be filed by the Canadians, arrangements should be made to pay $10 million into Ghorbanifar's account?

A No, I never said that. The reason we have the account number is because Mr. Allen asked if I could get it.

Q Why would Mr. Allen want the account number?

A He just wanted to know Ghorbanifar's account and I spoke to Ghorbanifar and he gave me the account number.

Q You don't recall Allen telling you any other reason why he wanted that account number?

A He just felt he needed it for his intelligence. He asked for it. I said, sure, I will try to get it for you. I called and Ghorbanifar gave it to me.

Q You do not have a recollection of telling Allen on the 5th of November that in essence, time had run out, the case would be going public by the next week or so when the Canadians were going to file suit and the only way to avoid this operation being exposed to the public was a payment into Ghorbanifar's account of $10 million?

A No. If anything, I told him, you know, the way to do it is to make a partial shipment, you know, deliver on the contract. I never told him to pay money. He asked for the

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account. It is not for me to tell Allen or anybody what to do. I can only make suggestions. The alternative that they have is to complete the contract or make another partial shipment and make a settlement, you know, but --

Q All right, are there any other items in those notes which are at odds with your recollection of what you would have told Allen?

A Well, he has a few words, okay, and I don't understand a lot of his handwriting, and I don't know, you know, I can go through it --

Q I'm really looking for those things of significance that strike your eye. If there's anything there that you can say, I didn't say that or, you know, I don't recall saying that. That's what I'm looking for. I'm trying to find out if this memorandum is basically an accurate reflection of what you and he discussed at that meeting?

A I don't know what the L.A. Times thing says. Knew three or four weeks. I don't know what that is?

A You don't remember anything about a story in the Los Angeles Times or conversations that you were having with the L.A. Times at this point?

A This is --

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Q November 6, 1986.

A This is three or four weeks ago.

Q That would have been early October 1986?

A And in reference to what?

Q I don't know. I wasn't at the meeting.

A Certainly nothing to do with this. This was still very private. How did the L.A. Times know?

Q I don't know. Did you have any knowledge of the L.A. Times being onto this story as of October of 1986?

A I think the L.A. Times may have been onto a story regarding Hashemi and they may have come to me and asked me some questions about it. That may have been it, but as far as them knowing about this, I don't think anybody -- that would be October 7.

Q Mid-October.

A I think at this meeting, you know, he was asking who would be sued. I said I don't know, the lawyers will determine that, but if Khashoggi gets sued he would have to bring in Lakeside and whoever else, whether it be the U.S. government or somebody, you know. His view was that Nir always paid into this account; it is a U.S. government account. It was in his mind this was a U.S. government

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account.

Q What Nir said was what Khashoggi told you he said?

A In here, when you say "Canadians," this is conversations with Khashoggi because I did not talk to the Canadians, so he, rather than -- he is using Canadians where I may have said Khashoggi said this, that the Canadians would do this, so he has eliminated and put a few words in it.

Q I have no problem with that. These are his notes for purposes of writing a memorandum. I'm putting them in front of you to see if I can either refresh your recollection or find out where your recollection differs from his notes.

A It says "G told Canadians this last week." I don't know, I just don't know what it means. It says "Nice." Maybe Nice was in Ghorbanifar when he spoke to me.

Q Ghorbanifar was in Nice?

A Maybe. I don't know. Well, it was always the Canadians were going to sue Mr. Khashoggi. Mr. Khashoggi, then, to defend himself, would have to bring in Lake Resources and the appropriate parties, and that would be determined by lawyers. I don't know what -- [redacted] issue, I just don't know.

Q You don't recall talking to him about the fact

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that once Secord's name came up it would expose the Nicaraguan efforts of the administration at the same time the Iran initiative is exposed?

A I really don't recall because I didn't know much about Secord at all until I saw the hearings, and his role was not given to me until Ghorbanifar told me just before going down.

Q All right, let's not spend any more time on this unless there's something that either refreshes your recollection or is other than your recollection.

To make sure we have it covered in the record, the documents we have of the meeting on November 6 are Allen Exhibit 83 and Exhibit 84.

As of November 6, 1986, had you had any conversations regarding the Khashoggi money problem with Michael Ledeen?

A I think I chatted with him once when I was in London and he was in Paris for a minute on the phone. He was at somebody's house.

Q This would be in October --

A I don't recall.

Q Do you recall the nature of the conversation?

A No. It was just I was talking with somebody else and he got on the phone for, you know, 30 seconds.

Q Do you have a recollection of Ledeen talking to you in this period of time and suggesting to you that these problems were going to be worked out and you and Mr. Khashoggi ought to sit tight for a while?

A No. I don't think anything like that. It was, you know, 10 seconds. It was a very quick conversation, and he said, Mr. Ledeen wants to say hello to you when I called and that was it. I don't recall what he said.

Q As of this period of time, had you had occasion to be with Ledeen again? Had you had dinner with him or done business with him?

A No.

Q After the meeting with Allen on the 6th of November, what was the next involvement that you had relating to this matter?

A Well, I think -- on, like, November 22 or 23 --

Q How about the 24th?

A Or 21st, okay, there was in the newspaper an announcement by the CIA that they had been paid $12.2 million in the Iran transaction. So on Monday morning, I called

Mr. Casey up, Bill Casey up, and I said, Bill, your numbers are all wrong. You were paid a lot more than that and he was all shook up. What do you mean, he said, can I please come and see him and bring the information that I have. So he said, come down late in the afternoon; so I went down, went to Langley. I don't know, I got there maybe 5:00.

Q This would be on the 24th?

A 24th of November.

Q Right.

A And we then went through the dates Khashoggi put his money in and the dates he got paid.

Q "He" being the CIA?

A Yes, and like on February 10, Khashoggi paid $10 million and he then was paid on the 11th $3,250,000 or whatever it was and on May 15 Khashoggi put $15 million in, and on May 16 he got paid $6,250,000, and there was unaccounted a difference of $15 million, and it was at that point for the first time I knew there was an unaccounted difference, and as of that point I said Ghorbanifar thinks some of this unaccounted-for difference has gone to the Contras.

Q You had already told Allen and Cave that?

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A But in the first meeting with Casey, it was just a general -- what the problem is and hope I can help Khashoggi to get it resolved, but it was on the 24th is when after calling and saying listen, your numbers are all wrong, you were paid a hell of a lot more than that; and he said what do you mean, are you sure, and I said yes, so I said can I please come down with the information I have?

We went through the dates of Khashoggi's payment and the dates he got his money, and Khashoggi paid $25 million, and he got $10 million, so there was a difference of $15 million, and he said he doesn't know what the money is whatsoever or anything like that. It was at that point in time and he got his papers, to double-check everything, and to see the press release or whatever they sent out, and it was at that point in time he tried to call Don Regan; and Don Regan wasn't there, and then he called North on the phone and said, there's a guy here says you owe him $10 million, and North said tell the man that the Iranians or the Israelis owe them the money. Then he called somebody at CIA archives or something, to find out what he has on Lake Resources, the account, and the response was to me that it came into our system from Furmark. We got the name in the system, and then

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he talked for a while to Cooper at Justice.

Q What did he talk to Cooper about?

A About Lake Resources, and then when it was over he said, would you like to talk to Meese about the money? I said Bill, you are the government. Here's the problem. Khashoggi is owed the money and I'm dealing with you. You are the government, and someone has to resolve the problem for Khashoggi. He believes that the government was involved in the transaction. He was led to believe that, and the meeting was over basically.

Q What did Casey say he was going to do about it, though?

A He didn't say anything. I said, you know, you have the problem. You know the problem. So then of course he got money, 2.2 like the end of October or November for the second channel's business, so the 10 of the 12 he announced was from Khashoggi and the 2 was from the second guy, so he could see where Khashoggi paid 15 and 10 or 25, he got 10, left 15 unaccounted, and we did say maybe there's some transportation costs, but not 15 million, he agreed; but he said, Roy, I don't know where the money is. I don't know what's happened to it. That was it. Then of course I went

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home and next morning I saw it on television that the president and Meese had made an announcement.

Q About the diversion?

A About the diversion, yes.

Q You had a series of telephone conversations with Casey after the 24th, did you not?

A I had one where he told me there was only $30,000 in the account.

Q When was that?

A I don't recall.

Q Couple of days after the 24th?

A It was a couple days after that.

Q He called you or you called him or what happened?

A I think I had called him, because I had been subpoenaed, and I said I have been subpoenaed, so he said you just follow us, you know, in this thing and then by the way, there's only $30,000 in the account. I'm not sure it was that conversation, but --

Q Did he say how he learned about the $30,000 in the account?

A No, I didn't ask him. He just said there's only $30,000 in the account.

Q Let me say I want to get a clear record on this point. At the point at which the Israeli-designated representative signs the LOA I have a binding agreement between the United States and the government of Israel for the provision of certain weapons by the United States to Israel.

A Right.

Q This document contains essentially all the terms and conditions subject to certain conditions subsequent usually having to do with matters of price.

A Yes.

Q Would that--

MR. SILBER: And delivery time.

MR. SABA: He says correct.

BY MR. SABA:

Q And delivery time, is this correct?

A Yes.

Q Would that document signed--the LOA signed by the United States and by the designated Israeli person contain a condition regarding the transfer of those weapons by the Israelis to any third party?

A Yes. That's standard to the LOA.

Q And what is that provision?

A I'm not familiar with it. I mean, Jerry would know better since he--

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. Q But you would describe this as a term which is printed on the form of the contract?

. A As far as I know, yes.

. Q And is that generally subject to change after the LOA has been signed?

. A No.

. Q All right.

. A I can't imagine why anybody would change it.

. Q What do you recall--other than the specific language of that provision, do you recall the general thrust or the substance of that provision?

. A The general thrust is that the country needs the approval of the United States Government before it can transfer this to any third party.

. Q So that in the case of--

. A And generally--I don't know whether it's in the LOA or the way we do it is that the country in selling it to that third party in turn presents a further restriction on third-party or fourth-party sales by that recipient country.

. Q So your understanding is that there is a standard provision in the agreement between the United States--and we'll stay with our Israeli example--and Israel, that upon receiving the weapons Israel agrees, as a condition of receiving these weapons, that it will not transfer these weapons to any third party without the advance--

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A Express approval.

Q --express advance approval of the United States; is that correct.

A That's how I understand it. I think that's the thrust of it.

Q Am I correct when I say the word ''advance'' approval?

A This I don't know.

Q All right.

A But I would assume it.

Q All right. We can check the contract documents.

A Yes.

Q Is it your understanding generally that further to that condition is a requirement that conditions of transfer be imposed by Israel on the third-party transferee--

A Yes.

Q --according to that agreement?

A I know that's a standard practice. Whether it's also reflected in the LOA, I don't know.

BY MR. SAXON:

Q Let me follow up. One more question, Dr. Gaffney.

Is it your understanding that that approval by the United States has to be given in writing? Am I correct in stating that the contract expressly includes that language?

A I don't know.

. Q One additional point. LOA stands for what?

. A Letter of offer and acceptance.

. Q In essence, though, it is an offer by the United States Government to sell to the recipient country?

. A Yes.

. BY MR. SABA:

. Q I want to continue essentially the same line, though.

. Are you familiar with the circumstances, in the abstract, by which consent for a transfer can be given? What is the procedure, assuming Israel took those Hawks shortly thereafter and then desired to transfer them to a third country? Are you familiar with the procedure?

. A Yes. What I've seen in the message traffic is like [redacted] sold [redacted] to [redacted] a few months ago. We send out to the [redacted] a sample letter saying here is the letter we request you get the [redacted] to sign when they receive [redacted]

. Q Can I interrupt a moment, because the record would seem to indicate that they sold it first and then we did something? I want to--

. A No. There was agreement to sell. That they came to us.

. Q Okay.

. A They found a customer and they came to us and said:

May we go through with this third-party transfer?

Q So before any transfer the government of [redacted] came to the Government of the United States?

A That's right.

Q And correct me if I'm wrong. And the government of [redacted] said to the United States: We have received pursuant to an FMS/MAP program and we now wish to transfer some quantity of these weapons to a third party.

A Um-hu~~m~~h.

Q So they requested, pursuant to that agreement with us, consent.

A Um-hu~~m~~h. Um-hu~~m~~h.

Q What happens when [redacted] requested consent? How does the United States respond to that?

A What I have seen is in the cable traffic. We send out a message saying yes, we consent to this transfer and--

Q Who is ''we''?

A We, the United States Government.

Q How does the United States Government express itself? Is this the Department of State? Is this yourself?

A Well it's a cable out from the Department of State. We don't send it ourselves.

Q All right. Again, I'm trying to get it very precise.

A It's State cable, signed by the Secretary of State.

Q So the request from [redacted] goes to the State Department?

A Yes, I guess it does.

Q And the State Department is the agency authorized by the Arms Export Control Act--correct me if I'm wrong.

A As far as I know.

MR. SILBER: No. It's executive order.

BY MR. SABA:

Q All right. By an executive order to grant that consent to [redacted] to transfer the missiles, is your office involved in that procedure?

A I assume so, but I don't know because I'm not personally in that loop.

MR. SAXON: Let me see if I can clarify this point for the record, and ask Jerry Silber to respond. Jerry, am I correct in saying that the Arms Export Control Act gives the President the authority to approve a third-party transfer?

MR. SILBER: Yes.

MR. SAXON: And that the President, by executive order, has delegated that authority to the Secretary of State?

MR. SILBER: Yes.

MR. SAXON: Thank you.

BY MR. SABA:

. Q All right. In granting that consent, are there any restrictions that you are aware of that are imposed on the President and, through the President, the Secretary of State in granting consent to [redacted]? Is it entirely discretionary with the President?

. A I don't know. I mean, all I've seen is extracting ~~the dos~~ the third-party nontransfer agreement from the recipient country.

. Q Suppose the intended recipient country was one of those countries on a list of countries which is a considered to be a country aiding and supporting terrorism?

. A For which there is, in other words, a current law or determination which prohibits sales to that country, or a policy; yes.

. MR. SABA: For the sake of clarity, and although Mr. Silber has not been sworn as a witness, he is present; and presuming he consents to answer a few questions as to legal points, I'd like to get his statement on the record.

. MR. SILBER: Of course.

. MR. SABA: And we do appreciate it.

. Jerry, obviously, this is an important point to us. And using the example that we're now looking at in which [redacted] sold [redacted]. I think that we have a record now in which [redacted] has requested the United States to permit a transfer of [redacted]o [redacted]. That request has gone, presumably, to the State Department. The Secretary of State is empowered by an executive order of the President, pursuant to the President's authority under the Arms Export Control Act, to consent to that transfer.

MR. SILBER: Correct.

MR. SABA: Changing the facts slightly, and let us presume that the intended transferee was Iran.

MR. SILBER: You make it easier.

MR. SABA: I make it easier.

MR. SILBER: We have certain policies on restrictions of transfers to [redacted], by policy, right now.

MR. SABA: I suspected as much, and therefore I don't want to learn about [redacted] I, obviously, want to learn about Iran.

Could you explain to us--and we might as well focus the time period.

MR. SILBER: All right.

MR. SABA: And we will focus it on the fall of 1985.

MR. SILBER: Right.

MR. SABA: In a case where a nation wished to transfer something like a Maverick or a Hawk to Iran, in 1985, what were the legal procedures pertaining to such a transfer?

. MR. SILBER: Well the law says that the President may not consent to a transfer to a third party--whether it be a third country or a private individual, it is third party transfer--if the United States, itself, would not have transferred those weapons systems directly.

. MR. SABA: Is the law you're referring to your Arms Export Control Act?

. MR. SILBER: I'm sorry?

. MR. SABA: The law to which you refer--

. MR. SILBER: Yes.

. MR. SABA: --is the Arms Export Control Act?

. MR. SILBER: Section 3(a), last paragraph, of the Arms Export Control Act. So that if we had either a law or a public policy, announced policy, whereby we would not ourselves transfer to Iran a particular weapons system, then the President is by law prohibited from granting his consent to another country who has received or purchased those weapons systems originally to transfer to Iran.

In addition, the law says even if we, ourselves, would transfer it, the law says that before the consent is given the transferee country must give written assurances to the United States Government--the recipient being the State Department, in fact--that it will not further transfer to a third country.

. MR. SABA: These are written assurances in advance of the transfer?

. MR. SILBER: I believe in advance. And the assurances do not go to the transferor country but rather directly to us. So that in the case of Iran, if we had no public policy or law against transferring particular weapons systems to Iran in the fall of '85--

. MR. SABA: If Iran were, let's say, a ''vanilla'' country.

. MR. SILBER: A ''vanilla'' country is adequate. All right. We would still have to go to the government of Iran and ask for assurances that if we had consented to, in this case, say, Israel transferring those systems to Iran that Iran will not transfer to any other third party without our prior written approval unless it was first demilitarized.

. MR. SABA: And I take it that in the fall of 1985 there were restrictions as to what the United States would directly, or could directly transfer to Iran.

. MR. SILBER: The restrictions are not as clear as people would normally assume. There were prohibitions on making sales to countries that harbor terrorists, and I believe there is a serious question as to whether Iran fit in that category. It is not that they--the law, as I understand it, does not prohibit Iranian, or prohibit sales to a country that instigates terrorism outside its borders.

which appears to be clearly the case in the case of Iran and Lebanon, for example, but rather, if international terrorists are granted sanctuary from prosecution in Iranian territory, and that is something which is not clear to me as I'm not privy to intelligence reports. But at least it's a working assumption that there was a problem with legally transferring weapons systems to Iran.

MR. SABA: In regards to the terrorist restriction, do you recall the statute?

MR. SILBER: At the time I think it was section 3(f) of the Arms Export Control Act.

MR. SABA: Is there any list of countries supporting terrorism--

MR. SILBER: Yes.

MR. SABA: --by which a determination at that time might be made?

MR. SILBER: Yes. Under the Export Administration Act of 1979 there is a list of countries supporting terrorism that that law requires be supplied, I believe, by the State Department, and I think it's published in the Federal Register and notified to the Congress; and I believe Iran was on that.

The effect of that is not clear to me because the Export Administration Act of 1979 does not deal with weapons or articles of military use only. However, there was a clear policy.

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~~think~~ There's no question in my mind about that. The President and the Secretary of State and the Secretary of Defense had announced well before 1985 that we were not selling arms to Iran. We publicly encouraged third countries not to sell arms to Iran.

. MR. SABA: Was this called Operation Staunch?

. MR. SILBER: There was something in the executive branch, at least, called Operation Staunch, which was a campaign to limit the flow of arms I think to Iran and Iraq. But our policies, which section 3(a), last paragraph, also invoke as well as laws against selling to Iran--our policies, indeed, are from two factors: One, the aftermath of the hostage release in 1981, with various executive orders ~~in~~ under Trading With The Enemy Act and the International Emergency Economic Powers Act; and, also, the announced neutrality between Iran and Iraq that the United States has assumed since its outbreak in--before 1980?

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. THE WITNESS: Um-hum.

. MR. SILBER: 1980. So we had two policies it seems to me that were quite generally known that would have had said that we would not sell weapons systems to Iran. There were several laws that had to be consulted to see if it actually was prohibited or not. It's not clear to me that it was prohibited.

. But in any event, the upshot of it is that under

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section 3(a), last paragraph, of the Arms Export Control Act the President could not or his designee could not consent to a transfer by any third country of weapons that were sold under the Foreign Military Sales Act and the Arms Export Control Act. Just could not.

MR. SABA: To Iran?

MR. SILBER: Could not to Iran, yes.

MR. SABA: Was there any way, waiver, notice, mechanism, that would permit the President, assuming he met certain conditions, to effect that transfer?

MR. SILBER: If the particular weapons systems that are to be transferred had an original acquisition cost of $14 million or more, if it's major defense equipment, which Hawk missiles are, or the other thresholds that were referred to in connection with section 36(b) were met, before the President consent to the transfer, if these assurances are received from the transferee, he could have the State Department notify the Congress under section 3(d) of the Arms Export Control Act and he could announce that he is changing American policy on selling to Iran, and that we ourselves would do it and therefore he sees no reason why he ought not to be able to consent to another country selling with our consent. That is assuming that there is no legal prohibition.

If the legal prohibition is found in executive orders or lists of terrorist countries, then, obviously, those documents have to be revised in accordance with the authority under which they were promulgated. If ~~it were the~~ there WAS A flat prohibition in the law against sales to Iran, he would, of course, have to ask for an amendment of the law by the Congress.

But there is a procedure for changing the application of these laws in a public, politically responsible manner.

MR. SABA: What if the weapons aggregated are less, in value less than $14 million?

MR. SILBER: Then there would be no requirement for prior notification to the Congress. If he wanted to adopt a different public policy, and if that were the only thing that were the bar to the consent, then he could announce a different policy. It would not necessarily have to be in reference to that particular proposed transfer. He could just say, on the advice of my cabinet, for example, I have decided that we should adopt a pro-Iranian stance in the Iran-Iraq War and we should be prepared to consider requests on a case-by-case basis of weapons purchases from Iran.

He would not have to say, and of course I'm planning to consent to this less than $14 million transfer by a third country.

MR. SABA: So your understanding is there wouldn't be a requirement in that case for congressional notification?

MR. SILBER: Would not be a requirement, but he can always have consultations.

MR. SABA: But there would still be a requirement even in that case, would there not, to obtain in advance of the transfer the Iranian assurances as to the disposition of the weapons on their receipt?

MR. SILBER: That is correct.

MR. KREUZER: But what requires him to announce a new policy, if it's under $14 million? Does 36(d) also require--

MR. SILBER: No. The last paragraph of section 3(a) of the Arms Export Control Act says, in considering a request for approval of any transfer of any weapon, weapons systems, munitions, aircraft, military boat, military vessel, or other implement of war, to another country, the President shall not give his consent, unless the United States itself would transfer the defense article under consideration to that country.

Now, if there were a law that said we, ourselves, could not transfer it, then, obviously, this law says he can't ~~make~~ give consent. If it is not a law but a publicly announced policy that we would not transfer it, he has to change the policy. And it would seem to me that if it's a policy that is not a public policy, obviously it can be changed in a nonpublic manner. But a publicly announced policy it seems to me has to be changed by a publicly announced revision.

. MR. KREUZER: Is that what that says?

. MR. SILBER: That would be my interpretation of what that says.

. MR. GENZMAN: Can you read the language that you're using?

. MR. SILBER: Yes. In considering a request for approval of any transfer of any weapon, et cetera, to another country, the President shall not give his consent under this law, unless the United States itself would transfer the defense article under consideration to that country.

. And as far as I know, the State and Defense Departments have long construed that, since its enactment I believe in 1971, to mean that we would not consent, we could not consent--we, the State Department and the United States Government, could not consent to a transfer if either there was a legal prohibition or a public policy prohibition against that transfer. If it was merely a, what might be called a classified policy, then a classified policy could be changed by another classified policy revision.

. MR. KREUZER: But you're interpreting in this situation it's saying that because of public policy that you cited that occurred since 1980 in various executive orders, X ~~an~~ AND announced neutrality with Iran and Iraq, that this is, in X fact, a public policy and therefore that the President would have to make a public policy statement, or state that public policy is now being changed?

. MR. SILBER: Or words to that effect. He would not necessarily have to address a pending proposed consent to a third-party transfer. He could simply say we're changing our policy on selling to this particular country.

. MR. KREUZER: But if arms, in fact, did transfer, then we would have to have had a public policy statement from the President prior to that time?

. MR. SILBER: Not necessarily the President. Presumably any--

. MR. KREUZER: Or his designated--

. MR. SILBER: --authorized official. The Secretary of State. An Assistant Secretary of State for Near East and Southeast Affairs could, for example, in testimony before Congress put in a significant phrase saying we are now considering or would be prepared to consider on a case-by-case basis requests for purchase of arms by the Iranian government.

. There's a multitude of ways in which one can announce a policy change, assuming it's only a policy change, and that's all we're referring to now.

MR. SABA: Mr. Silber, you said that State and Defense have long construed this paragraph.

MR. SILBER: Um-hum.

MR. SABA: Have there been, to your knowledge, written memoranda prepared as to that construction? Or any construction?

MR. SILBER: I believe that there have been. I've seen, I think I've seen them. It would be difficult to try to find them and produce them, but I believe that if you would check with the Legal Advisers' Office in Department of State they would agree that this prohibition covered both law--legal prohibitions and public policy prohibitions.

If you look at the reason that this law was enacted in I believe it was [~~[illegible]~~] 1971, the reason was that the government of India and the government of Pakistan were at war in the western part of India and the President, at that time President Nixon, had announced a strict policy of neutrality. At the same time the [~~Shah of Iran was~~ TURKS were] on the side of the Pakistanis and wanted to supply tanks or repair services for Pakistani tanks, and the Administration was being faced with a request from the [~~Shah of Iran~~ Government of Turkey] to assist in that effort to support the Pakistani tanks in battle. And it was revealed in the press, in the American press, that the President had urged the Secretary of State, who was

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at that time Henry Kissinger, that we have got to tilt more to Pakistan. He was saying that in private to the Secretary of State. At the same time publicly we had a policy of neutrality, and the Congress thought that this was an inappropriate way to handle this sort of matter, so they enacted this provision.

At the time, I don't know that there was a legal prohibition against consenting to ~~an Iranian~~ a Turkish transfer of services or materiel to Pakistan. So it was enacted to remedy a perceived evil as a matter of policy, rather than as a matter of legal prohibition. Therefore, it would seem to me that that legislation goes beyond legal prohibitions. It goes to the substance of what your publicly announced policy is.

MR. SABA: Let me ask you a question. In the period June 1, 1985 until January 17, 1986, did anyone from OSD ask your office for an opinion, whether formally or informally, orally or written, in any way, having to do with the propriety, legality of a transfer by Israel of weapons systems originally obtained from the United States to Iran?

MR. SILBER: No.

MR. SABA: Bearing in mind that at the moment you're volunteering this as a statement, you have not been sworn; if you were sworn, would your statement be the same?

MR. SILBER: Yes.

. MR. SABA: I'm sorry to have asked, but I want to get a very clear statement on this.

. MR. SILBER: No one asked me of those details during that time period of the legality or propriety of that action.

. MR. SABA: Prior to this period and generally in the circumstances of your duties as general counsel to DSAA, would you say that your understanding and opinion concerning the Arms Export Control Act was made known to the Office of the Secretary; that he, that the Secretary had knowledge of these restrictions in the Arms Export Control Act?

. MR. SILBER: I could not testify as to the knowledge of Secretary Weinberger or any other American official's.

. MR. SABA: But you provided them earlier with opinions to that effect?

. MR. SILBER: No. The opinions that I've provided over a period of time have been to DSAA and prior to my assumption to the duties of the General Counsel, DSAA, when I was in the Office of the General Counsel to DOD, I provided similar advice from time to time, and possibly in writing, to ISA as well as DSAA. And I know I've discussed this with the Office of the Legal Adviser in the Department of State from time to time in the '70's and early '80's.

. MR. SABA: Did you have occasion to discuss the matter with Mr. Taft any time in 1985?

MR. SILBER: No.

MR. SABA: Do you recall having discussions with him prior to 1985, including the time when he was Counsel?

MR. SILBER: I, of course, discussed many legal issues with Deputy Secretary Taft when he was the General Counsel at DOD but I don't recall this subject ever coming up. I mean, this subject being the interpretation of that part of the Arms Export Control Act.

MR. SABA: Yes, without regard necessarily to Israel or Iran.

All right, I'd like to go back to the Israeli Hawk situation, but you all may have some additional questions on the law.

MR. GENZMAN: Let me ask a question.

You have been citing to a provision that deals with transfers from the original purchasing country to a third party, have you not?

MR. SILBER: Correct.

MR. GENZMAN: Are you saying that the restrictions we've been talking about would apply if the U.S. were to want to sell directly to, say, Iran? That if there was a law or a policy, public policy to the contrary--let's just say a public policy to the contrary, that there would have to be an announcement of a contrary change in policy before

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that could be done?

MR. SILBER: If I understand the question, yes, that ~~was~~ is my interpretation of the law. × 9A

MR. GENZMAN: So, if it's your understanding that there is a public policy, then a presidential finding or some sort of secret directive could not do the job to permit a sale or transfer to such a country?

MR. SILBER: That raises a very difficult question of the applicability of the procedures for control of covert activities on the rules and procedures for the [~~Over~~ OVERT] Security Assistance program, which is a more than slightly contentious issue. If I were to hazard my own opinion, my own opinion would be that the procedures for control of covert actions do not supersede the laws and regulations that deal with the ~~C~~overt Security Assistance program. × 9A

Of course, this paragraph does not deal with consenting to transfer of items that were not transferred originally under the Arms Export Control Act. If they had originally been transferred under the Covert program, whatever restrictions were on that would presumably govern the further transfer. This section only deals with weapons that are transferred under the Arms Export Control Act.

MR. SABA: Go ahead.

MR. GENZMAN: I haven't taken a look at that particular section, but does that section only deal with

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transfers by the original purchasing country to another country and whether that is permissible?

MR. SILBER: No. It would also deal with transfers of the third country to the fourth country or the fourth country to the fifth country.

MR. GENZMAN: Fine. Does it deal with transfers directly from the U.S. to another country?

MR. SILBER: No. That particular section or paragraph does not.

MR. GENZMAN: Can you give me a citation for the section that deals with the direct transfers?

MR. SILBER: That would be section 3(a) of the Arms Export Control Act.

MR. GENZMAN: And you say you--

MR. SILBER: I'm sorry. 3(a) other than the last paragraph of 3(a). The last paragraph of 3(a) deals with third-party transfers; 3(a) in the beginning deals with the question of our sale or lease of weapons to, shall we say, second countries.

MR. GENZMAN: So your construction that there has to be an announcement of a change in policy would apply generally to 3(a)'s provisions?

MR. SILBER: I'm not sure I understand.

MR. GENZMAN: Direct transfers to second countries--

MR. SILBER: Oh. No.

MR. GENZMAN: --or to third to fourth to fifth.

MR. SILBER: If the United States has a policy, not a law, but there is a policy against transfer to a particular country from the United States, and if the United States wishes then to make a particular sale, if there's a 36(b) notification required, obviously, we are going contrary to the previously announced policy. If it is not under a 36(b) procedure, then the Congress would be notified on a quarterly basis after the fact that we had made sales to a recipient of a weapons system that previously had not been consistent with our policy. I don't know that we would have to have a publicly announced policy Revision there.

In the Overt Security Assistance program there are few secrets, and fewer that remain secret for more than three months, because of the quarterly reporting system.

MR. SABA: Mr. Silber, I do have a last question.

Is my understanding of section 3(e) of the Arms Export Control Act correct in that, if the President were to receive information that a transfer of a defense article has been made by a recipient without his consent, he would report that information to the Speaker of the House and the Senate Committee on Foreign Relations?

MR. SILBER: Well that has been delegated also to the Secretary of State. The only thing that I can comment about that is that it requires that if there are any information, presumably any credible or reliable information, and that there's a--that the transfer has to have been made, it's not just a proposed transfer, there are many, many rumors in the trade--in the international trade of arms many rumors about transfers, possible transfers, transfers have happened. What this section requires is the President, through his delegate the Secretary of State, to tell the Congress when the information is of such a character that it is believable, and that it's only those transfers that would otherwise be in violation of the section requiring his consent.

MR. SABA: All right. I'm going to leave this area and this subject.

MR. KREUZER: I have one more question.

BY MR. KREUZER:

Q Earlier, Dr. Gaffney, you mentioned that between 1967 and some point in time that we had delivered 1,482 Hawks to Iran?

A I said over the life of our Hawk program with Iran we had delivered 1,442.

Q 1,442.

A And I have no idea when that program started or when the last delivery took place before the Shah left. ~~died.~~

Q And I think that you've mentioned that there were 360 Hawks that had been ordered and paid for by Iran but were never delivered because there had been a revolution in '79.

. A My note only says that 360 Hawk missiles were diverted from Iran.

. Q Diverted. Where were they--

. A Well, no. I'm just saying that presumably they were somewhere in the pipeline. ~~that~~ I assume since it says 360 for Iran that probably there was an LOA and maybe production started on them, but that they were probably delivered out over time. I mean, other customers were found for them.

. Q So they were delivered probably to other customers.

. A Yes.

. Q And in 1985 the Israelis--

. A And any funds, you see, that were owed to the Iranians in progress payments to date, up to the date would probably have been ~~you know~~ put into their trust fund as we sold them off. In other words, when you sell to another customer, they probably picked up the progress payments, and the money that comes in, some of it goes back to the Iranian Trust Fund and some would go in continued production, on a hypothetical basis.

. Q So, now I'd just like to jump away from that to 1985. We sold a hundred Hawk missiles to Israel.

. A In 1982, we agreed to an LOA, a case.

Q We delivered a hundred Hawks.

A And, in fact, ~~and they~~ they were--and very coincidentally--delivered in early November of 1985. Three-year lead time, which is about--

Q Do you know who else took delivery in 1985 of any Hawk missiles?

A As I remember, there were about 70 Hawk missiles went to Korea about that time.

Q Seventy Hawk missiles to North Korea?

A Yes.

Q In 1985?

MR. SABA: Excuse me. I doubt that it was North Korea.

BY MR. KREUZER:

Q I mean, excuse--I'm sorry.

A Didn't I say South Korea?

Q To South Korea in 1985. Anybody else?

A When I was checking about that time there was a number in the pipeline as well for the UAE. But since all the systems were not in place in the UAE, they were heading for storage.

Q So they would not have gone to the UAE?

A They had not gone to the UAE.

Q How about anybody else, other than the United Arab Emirates and South Korea?

A At about that time when I looked into it, there were just those three cases which were very active: the Israeli, the Korean--South Korean, and the UAE.

Q If I said [redacted], would that--

A That triggers a memory, yes, that--

Q Possibly [redacted]

A Something like that, but I don't remember.

BY MR. SABA:

Q All right. Returning to our Israeli case, the LOA was executed in 1982, and when were the missiles actually delivered?

A When I checked on it in November '85, and this is around November 19 or thereabouts, it showed on our records as still in the pipeline; but then when I checked with the Army, they said, oh, they had been delivered--and I have to explain what I think ''delivered'' means--just a few days before that.

Q Why don't you go ahead--

A Now by what I mean delivered, we usually mean that they have been produced and the title has passed to the country at the manufacturer and the country is then responsible for transporting them from the manufacturer back to their country.

Q So delivery is, essentially, a legal shipping term. It might be f.o.b.--

. A Right.

. Q --the point of storage. It may be f.o.b. point of shipment.

. A When I say that they had been recently delivered, that did not tell me where they were physically in any way.

. Q But the title has transferred?

. A Yes.

. Q That is your understanding of ''delivered''?

. A That's right, that the title had transferred.

. Q And as to that 1982 request for 100 missiles--

. A Um-hu~~m~~n.

. Q --did there come a time when you learned when title had transferred to Israel on those missiles?

. A No. Just that it had been, just earlier in November of 1985.

. Q I see. So your understanding was that in early November 1985 the title to the 100 Hawks transferred to Israel.

. A To make it more precise, sometime before November 19th.

. Q All right. Do you know what happened to those 100 Hawks?

. A No.

. Q Did you make further inquiries?

. A No.

Q In regards to those 100 Hawks, was there ever a time in which there were discussions, whether within the United States Government with Israelis or generally, concerning any subsequent transfer by the Israelis of those Hawks to a third party?

A Not that I know of.

Q All right. Dr. Gaffney, if I can turn to the period, now, of approximately November 1985.

A Um-hum.

Q And I would like to go through this period slowly and specifically, and I would turn your attention in particular to a day which Mr. Koch came to your office. What I would like is, if you could tell the story as much in your own words, I will try not to interrupt, since I would like to get a narrative as much as I can. You might begin by explaining in a general way how you came to be an Acting Director, and I'm particularly interested in calendar dates and in the details of conversations.

A I came to be Acting Director in, I think it was roughly November 19th. I have a note in my book which says that I began Acting Director on 18 November 1985.

Q And I take it the book you are referring to is--

A It is just a casual book of notes that I keep for my taskings.

MR. SILBER: Unh-unh. I would say that is what we

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can call a work diary.

THE WITNESS: A work diary--yes. Sure, you can call it a work diary or anything like that.

BY MR. SABA:

Q All right. So that on November 18, 1985, you came to be Acting Director.

A Right.

Q And how is that you become Acting Director?

A That's because the Director and the Deputy Director were both out of the country at that time. The Director was in Pakistan.

BY MR. SAXON:

Q The Director is General Gast?

A General Gast.

Q And the Deputy Director is--

A The Deputy is Glenn Rudd. And Glenn Rudd was at the Security Assistance Conference in Hawaii during that week. So without having a further note on it, I believe I was the Acting Director for that entire week, so that would have been five days.

BY MR. SABA:

Q The 18th of November was a Monday?

A I think so. That would be 18, 19, 20, 21, 22--yes. So let's say 18th through 22nd.

Q So there was an entire workweek--

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. A Yes.

. Q --for which were the Acting Director?

. A Right.

. Q Does your work diary reflect the last day on which you were Acting Director--

. A I don't think so.

. Q --in that period?

. A I don't see anything. I just made a list of the things on the 21st of November which I would report to Gast and then it jumps to 25 November, which I identify as a Monday. I have no notes on November 22, which was a Friday. I Probably spent most of the day writing my ~~Gast of~~ what-happened-in-the-week report to Gast.

. Q All right. Going back to the beginning of that week, Monday, the 18th of November, do you recall from your memory or does your work diary reflect a meeting that week or contact from Noel Koch?

. A No. The only note that it first shows here is on 19 November, where I put in my book a little note that said ''220 Hawk missiles due for delivery November '85 through March '86.'' So I presume that I checked that out on Tuesday, November 19th, and that was--

. BY MR. SAXON:

. Q Give us the dates again, please?

. A Tuesday, November 19th.

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Q No. The dates for delivery for the 220.

A November '85 through March '86. And presumably that's because on more likely Tuesday, the 19th of November, Noel Koch had come to me and said we need to find out whether there are any Hawk missiles which are available for delivery.

Q That's Koch--k-o-c-h?

A K-o-c-h. And at that time he was Acting Assistant Secretary, ISA.

MR. SABA: Off the record a moment.

[Discussion off the record.]

BY MR. SABA:

Q Dr. Gaffney, I call your attention to your work diary, and I would like to enter for the record as Exhibit 1 your entries for the 19th of November 1985 which constitute two pages of your work diary.

(A document was marked
Deposition Exhibit No. 1
for identification.)

BY MR. SABA:

Q And calling your attention to the first page, to the bottom right-hand corner, there is an entry that states ''220 Hawk missiles due for delivery November '85-March '86.''

A Yes.

. Q Can you tell us how that entry came to be?

. A That's because I went down to our Comptroller, or Data Management Division, and asked them to give me a computer printout of all Hawk deliveries over time.

. Q And what caused you to take that action?

. A That's because Noel Koch asked me to find out whether we have any Hawk missiles and where are they.

. Q Did Mr. Koch come to your office?

. A I don't remember specifically. I suspect he called me up to his office, which would be the appropriate way to do it. It is only a ~~short time, short~~ few steps down the hall. I was sitting in the Director, DSAA's, office at the time.

. Q I have for Exhibit 2 a calendar, which is Mr. Koch's calendar, and I have the page reflecting the events of November 19, 1985.

(A document was marked
Deposition Exhibit No. 2
for identification.)

BY MR. SABA:

. Q I'll provide it to you and you will note that there is an entry, approximately 12 o'clock, which states, ''To General Powell with Hank Gaffney.''

. A Yes.

. Q Perhaps that will help you to recall what transpired.

A Yes. As I remember it, the best I can and it's kind of vague, he had asked me to find out where there are Hawk missiles and he said that it's a very hush-hush project. And then later--

Q And this was--

A This was Noel Koch.

Q I'm sorry to interrupt.

Noel Koch came to your office.

A I don't remember. Or probably called me down to his office.

Q So you went to his. It was not a telephone call, it was a meeting face to face?

A No. I think it was face to face.

Q All right. And what did Mr. Koch say to you in that meeting?

A Now, to the best of my knowledge, it was this is a very hush-hush project. Colin Powell--I don't know if he brought Colin Powell's name up at that point, but he said we need to find out whether there are any Hawk missiles available, let's put it that way. And how many.

Q Did he say why?

A ~~He said it's some~~ to the best of my memory, he said it was some sort of very hush-hush project and it's the front office wants it. And I don't know whether it was then or ~~you know,~~ a short time later that ~~I, you know,~~ I learned he was working directly with Colin Powell, the Military Assistant to SECDEF. But later on in the morning, as this shows, he said: ''Let's go down. Colin Powell wants to talk about this request.'' So we went down to see Colin Powell.

. Q Just focusing slowly on that first meeting, he said--he asked you whether there are Hawk missiles available, how many, it was hush-hush, a front office project.

. A Yes.

. Q Was that the extent of the conversation?

. A Yes.

. Q Was there any mention of the destination of the missiles in that first conversation?

. A Not that I remember.

. Q Was Israel mentioned?

. A Not that I remember.

. Q Iran mentioned?

. A Not that at that very initial stage.

. Q Were any dates mentioned in that first meeting?

. A No. And as a personal opinion, the way Noel Koch was addressing it was that this is the first time he'd ever heard of anything like that and he really didn't know what was entailed.

. Q All right. So you have this meeting. About how long did that meeting take place?

A Only a couple of minutes.

Q And then what did you do following that meeting?

MR. SAXON: Before you get to that, let me ask one question.

BY MR. SAXON:

Q What did you understand Mr. Koch to mean when he said that the front office wanted it?

A ~~Well, pretty~~ later on, ~~that~~ it became clear that Powell wanted it for Weinberger. And as the week progressed, Powell wanted it for Weinberger to take to an NSC meeting, or a meeting in the White House. I thought it was an NSC meeting.

BY MR. SABA:

Q But in stating in that first meeting, the front office wants it, he wasn't more specific?

A I can't remember. You know, it obviously didn't--it was not something that grabbed me.

Q So that meeting was a few moments. Then what did you do?

A Then I went and I got the data printout, from our Data Management Division, of all the Hawks ~~and~~ in order to find out which were in the immediate pipeline.

Q When you say all the Hawks, specifically what--

A Hawk missiles.

Q That's all the Hawk missiles ever made or all

Hawks--

. A All Hawk missiles ever sold through Foreign Military Sales.

. Q So this printout would show me from day one all Hawk missiles ever transferred to a foreign country under Foreign Military Sales?

. A Yes.

. Q Would that printout also tell me Hawk missiles currently in the pipeline?

. A Yes, which was my basic intent, to--

. Q Would it tell me of the number of Hawk missiles in the United States military inventory?

. A No.

. Q Would it tell me of the number of Hawks currently in production in the United States?

. A For foreign customers?

. Q One.

. A For foreign customers, it would give an indication of that.

. Q Would it give an indication of Hawks in production for the United States military purposes?

. A No.

. Q And did you obtain a printout?

. A Yes.

. Q Where is that printout today, do you know?

. A ~~I destroyed it short--~~ I didn't keep it in my safe. I destroyed it shortly after ~~this was all-- after thereafter~~ I was Acting Director.

. Q Do you mean within a week or--

. A Yes. Well, I don't know. Yes, I think it was within a week, or within a couple of weeks I would say. It's a fairly bulky thing--

. Q So now you have a printout--

. A Yes.

. Q --of, essentially, all FMS Hawks ever made--

. A Um-hum.

. Q --and those in the pipeline--

. A Yes.

. Q --and those in the production--

. A Yes.

. Q --for FMS purposes?

. A Yes.

. Q And what did you do with that document?

. A It was meant to just give me an initial approximation, which is shown on the first page of my notes there. That is, that this yielded that there were 220 Hawk missiles due for delivery, November 1985 through March 1986.

. Q I see. So that the notation on Exhibit 1 is a reference to the printout?

. A Yes. The information gathered from that printout.

. Q It is not a reference to the request by Mr. Koch; that is, he didn't ask you to find 220 Hawks?

. A No. It was just--it's solely the number that were available.

. Q And continuing, what did you then do with the printout?

. A Well, what I did then--now I don't know, I think by the time I had that, that as Mr. Koch's notes show, we went down to see Colin Powell.

. Q I see. I want to return to that 220 number to make sure I understand.

. This is 220 in the pipeline at that time, and what do you mean by available?

. A Well, due for delivery, off production, in that period November '85 through March '86. The printout was in sufficient detail to show that.

. Q Would these be Hawks which had already been committed to Iran?

. A They were all on sales cases, yes.

. BY MR. SAXON:

. Q Were you given that time period by Mr. Koch?

. A Not that I re--not that I remember. I think it was more of ~~you know,~~ what's available right now.

. Q So the reference to delivery November '85-March '86 means delivery to--to whom?

. A Well, to the best of my recollection, there was--and I'm very confused about it at this point. There were the hundred to Israel in there. There were possibly some number for the UAE. Roger has mentioned that there were some for [redacted], and I seem to remember 70 for Korea.

. Q These would all be missiles--these 220 missiles, then, would be missiles for which we had a contractual obligation--

. A Exactly. Exactly.

. Q --to provide.

. A Yes.

. MR. SILBER: Could be diverted, though.

. THE WITNESS: ~~Now~~ we have the contractual ability to divert them and to reschedule the delivery for the customer.

. BY MR. SABA:

. Q All right.

. A But, of course, the customer has to be told at some point.

. Q And therefore the characterization of the missiles as available in your mind meant that they were missiles which currently have been produced, are scheduled to be delivered to various countries at some short time frame, but which we have a contractual right to another source if that became our intention?

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. A Well possibly, yes.

. Q All right. You now have the printout.

. A Um-hu~~m~~h.

. Q And what happened next?

. A I went down to see, I don't know whether it was then or after we saw Colin Powell around noon, but I went to--

. Q How did you come to see General Powell at noon?

. A Well, as I remember, to the best of my memory, Koch ~~[illegible]~~ came by the office and said, we need to go right down now to see General Powell about this.

. Q At that point did you have the printout? Do you recall?

. A I might have--gee! I don't even remember. Or whether I had some little note or I--I don't think I did. I don't think I did.

. Q All right. And then you went to see General Powell?

. A Yes.

. Q At this point, up to this point as you had to see General Powell, had you made--other than your work diary entry, had you made any other notes?

. A I believe the product from that session with Powell was this piece of paper.

. MR. SABA: This will be Exhibit 3, I believe.

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THE WITNESS: Though I can't swear, I might have gotten this as a request from Powell on the phone, because it looks like I had this particular~~, you know,~~ DSAA notepad ~~right~~ available. Or I might have grabbed it~~, you know,~~ when I went down to see Powell.

BY MR. SAXON:

Q But you are reasonably certain this information--

A But there is no question that this list of questions came from General Powell.

BY MR. SABA:

Q All right. And it may have been in that noon meeting?

A Yes.

Q Is this note limited to this single page?

A Yes, as far as I know.

MR. SABA: All right. Then we will mark this page Exhibit 3, and it is a single piece of paper which is a photocopy of handwritten notes on a notepad marked ''Defense Security Assistance Agency.''

(A document was marked
Deposition Exhibit No. 3
for identification.)

BY MR. SABA:

Q You then went to see General Powell with Mr. Koch?

A Um-hum.

. Q Did Mr. Koch tell you on the way to the meeting what the substance of that conversation was to be?

. A He was speculating what this--I can't remember whether it was on the way down or on the way back. I think on the way back. ~~That~~ he was speculating that this had something to do with the hostages and that's why it was so hush-hush. And I would hazard a guess at that time, without remembering the words, that it had to do with sales to Iran in connection with the hostages.

. Q Let's go down to see General Powell, and what transpired in that meeting?

. A Either in that meeting or on the phone he said, I need this kind of information.

. Q And it was a result of a request from General Powell that you created these notes?

. A Yes. And those look like, as if I'd taken them right off as he was saying them, either while I was sitting there at the phone or standing there in his office.

. Q Could you--

. A It's easier just to take them down in that sequence off the phone, rather than standing in his office.

. Q Let's take a look at the exhibit. The top says, ''What worldwide stocks in other countries.''

. A Um-huh.

. Q This is a question?

A Yes, ~~that's yes,~~ that's a good question because, in fact, that particular question might have been what really triggered me to go to the Data Management Division to get the printout, because that would tell you all that was in other countries.

Q The next item on the note is the number 500. What did you understand that to mean?

A That we were looking for up to 500 missiles.

Q This is what General Powell told you?

A Yes.

Q And ''from where'' presumably is what?

A This I don't know. It could be, you know, where would we get them from.

Q Do you recall, when he asked you these questions did you have the number 220?

A I don't recall.

Q Moving just to the right of the question and circled in a little section of the note, it says, conceal what looks like ultimate destination. What caused that note?

A I don't know. It was obviously added later on, ~~on~~ after the conversation.

MR. GENZMAN: Excuse me.

BY MR. GENZMAN:

Q Is all of this writing your handwriting?

A This is all my handwriting.

BY MR. SABA:

Q General Powell requested you about the cost of the missiles?

A Yes, what do they cost. And that's per missile.

Q And General Powell asked you concerning the requirements of legal transfer?

A Yes. Including what notices we have to give, which means to Congress.

MR. SILBER: The ''I,'' what does the ''I'' mean?

THE WITNESS: ''How do I legally transfer?'' In other words, it's--

MR. SILBER: Powell? You? The President?

THE WITNESS: Anybody. How does one legally transfer.

BY MR. SABA:

Q And the next phrase, ''break into small phrases,'' what is the genesis of that note?

A I suspect it's the general perception that could you break it into small packages to get under the thresholds for reporting to Congress.

Q I take it then that you may have provided him with some information at that point as to the notice required, or did you take it that he understood?

A I took it that he understood. I think he generally understood. I might have mentioned it to him, but I think he just generally understood.

. Q Was there any legal discussion at this point?

. A No, not that I remember.

. Q The next phrase says, ''What countries can't I legally transfer to.''

. A Yes.

. Q Was that his question to you?

. A Um-hu~~m~~h.

. Q Did you answer at that point?

. A No.

. Q And looking at the bottom, the last note, I'm not sure I can read it. Could you tell us what the very last line, ''If--

. A If gave--and I apparently underline gave, meaning gave away without charging any cost I assume--what third country transfer restrictions. That's all it says. I'm not quite sure what that all meant.

. Q Do you recall what the genesis of that notation is? It suggests that a recipient country would give away the weapons.

. A Or it might suggest that we give them away without extracting a price, a cost, without any payment being made. But I don't even remember.

. MR. SILBER: If we had given them.

THE WITNESS: Yes, if we gave them.

MR. SILBER: Not to the middle country.

THE WITNESS: Yes. Right. Maybe. Although that could also be read, and I just don't even remember, that if Israel gave them to Iran, what third country transfer restrictions would ~~reply~~ APPLY? And that's probably more likely the interpretation that--

BY MR. SABA:

Q But at the time what was the conversation that caused you to write the note?

A I don't know. I don't remember. But these are nearly verbatim, let's put it that way, which also accounts for the strange way it comes out.

Q So these are notes take--

A In other words, I'm scribbling as he's talking on the phone. I think that's the best interpretation of that.

Q Just to the left of this series of questions, there seems to be a note saying ''Would we have to tell Congress of transfer?'' with an arrow pointing up to ''reporting requirement 3(d).''

A Um-hu~~m~~h. Yes.

Q What caused you to write that note?

A Obviously, I ran out of paper at the bottom and then started working up the left-hand side, where the question from Colin Powell would be ''Would we have to tell

Congress of the transfer?'' Now, with that piece of note in hand, I subsequently went to Jerry Silber and said: ''What is the provision of the law that regulates third country transfers?'' And he said 3(d), so I put it down.

. Q In other words, is it correct that the notation on the left above the arrow, ''reporting requirement 3(d),'' was a notation made subsequent to the meeting?

. A Yes, that's correct.

. Q But the notation below the arrow, ''Would we have to tell Congress of transfer?'' is Colin Powell's question to you at that meeting?

. A Yes. Yes. You'll note the strong suggestion as we talked along here that they were thinking of a transfer like from Israel to Iran.

. Q Moving up the margin on the left-hand side, there is a ''$, quantity, detailed description.'' Is that a note contemporaneous to the meeting with Powell?

. A Yes, I think so. And also, ''sensitive technology'' follows from that. It's dollars, quantity, detailed description--comma--sensitive technology. Now why I put that right there I don't know.

. MR. SILBER: What you ~~have to tell~~ CAN CLASSIFY IN NOTIFYING Congress, maybe.

. THE WITNESS: That's possible. That's possible.

. MR. SABA: All right. To the extent possible, I'd rather avoid too much speculation--

THE WITNESS: Yes. Sure.

MR. SABA: --or hindsight. I'd rather try to understand what the contemporaneous understanding was--

THE WITNESS: Oh. Yes. Yes.

MR. SABA: --of the witness.

THE WITNESS: You know, in looking at that, as I look at it, it does look like a later note which came after I had scanned through 36(b) to see what the reporting requirements were under 36(b).

MR. SILBER: (d).

THE WITNESS: I think it attaches here to what notices.

MR. SILBER: Oh. 36.

THE WITNESS: Because then you pick up the sensitive technology which is prominent in 36(b) and I don't think it's as prominent in 3(d).

MR. SILBER: I see. Not for 3(d), I see. All right.

BY MR. SABA:

Q Looking back again, up to the right, the ''conceal ultimate destinations.''

A Um-hu~~m~~h.

Q I know we just went over that and I want to make sure. Looking at it again, was that a note made in the conversation with General Powell or was that a note made later on? And again--

A It looks like it was made later on because it's in the same handwriting, the same as the ''sensitive technology'' phrase. And I don't know what it refers to or what I was asked.

Q So you had the meeting with General Powell. In addition to these questions which you took down on the notepad, what else was discussed in that meeting?

A An example would be, conceal ultimate destination, is it possible.

[Mr. Silber conferring with the witness.]

BY MR. SAXON:

Q Let me simply make sure I understand your last statement.

It's your testimony that that would represent the words conceal ultimate destination, but you don't recall whether you were asked how we could do that or if you were instructed that that's what we would want to do; is that correct?

A Right.

Q Is there anything else you can recall about those words, ''conceal ultimate destination''?

A No.

MR. KREUZER: Could I ask you a question? Did we cover what other countries might be sources? What other countries might be sources?

MR. SABA: I think we did.

BY MR. KREUZER:

Q That was a question to you from General Powell?

A Yes. That would certainly trigger me to get a complete worldwide printout of all the Hawk missiles we sold.

Q And that was a question he asked?

A Yes. Yes.

BY MR. SABA:

Q In addition to the questions which you listed in this notepad, what else was discussed in that meeting?

A That's about it, that I remember.

Q And Noel Koch was with you in that meeting with General Powell?

A Well he was in a meeting with General Powell. As I say, and I think about this longer, it is--this sounds like a list of requirements I took down over the phone, rather than standing up, say, with a pad in my hand.

Q Do you recall if this was prior to your noon meeting?

A Ah, no. I don't.

Q All right. Do you recall what transpired at the meeting between yourself, Mr. Koch and General Powell?

A No. It's all very hazy.

. Q Do you recall if, that day, anyone told you on that day, November 19, as to the ultimate destination intended for these weapons?

. A I don't remember, but it was very clear to me that it was Iran and ~~I didn't~~ I doubt very much that I invented that.

. Q And you think it was clear to you on the 19th of November?

. A I wouldn't swear to it. Gee! I'm sworn.

. [Laughter.]

. A How did you come to know that? Was it Colin Powell? Was it Noel Koch? Do you recall how you came to know it was Iran and somehow connected with hostages?

. A The earliest that I think I could have known that or speculated on it was that Noel Koch and I, and I think it was walking back up from Powell's office, said that he thought it had something to do with the hostages and he thought it had to do with Iran.

. BY MR. SAXON:

. Q And in that conversation, did he--

. A But that did not sound from him as if he was directly privy to information of that sort.

. Q And in that context, he did not mention anything about the NSC or Colonel North or a broader Iran initiative, did he?

. A Absolutely not. Nothing like that ever came up.

. MR. SILBER: NSC?

. THE WITNESS: Well. I was to provide this kind of information to Colin Powell and, as I think back on it, I must have given them some sort of handwritten sheet of paper which contained things like what appeared here.

. MR. SABA: The witness is referring to handwritten notes which we'll have entered on the record in a while.

. THE WITNESS: Yes. But I have no strong recollection that I actually turned in a handwritten piece.

. BY MR. SABA:

. Q But let's stay--we're only at lunchtime, November 19th. Did General Powell indicate in any way to you the purpose of his questions?

. A No.

. Q Did he indicate how you were to convey answers to the questions, whether by orally or by memorandum?

. A He just wanted the information on these Hawk missiles.

. Q Did he indicate that you should prepare a memo?

. A Later I believe he asked me to prepare a talking paper for Weinberger to carry to an NSC meeting.

. Q When you say later, what period are you referring to?

. A Probably the next day.

Q All right. We'll come to that. Just again staying with the 19th, did you have any further discussions that day with either Mr. Koch or Mr. Powell--or General Powell?

A Not that I remember.

Q And it's your recollection that it was that day that you also obtained the computer printouts and you make reference to 220 in your work diary?

A That's right. That's right.

MR. SABA: Off the record for a moment.

[Discussion off the record.]

BY MR. SABA:

Q Referring to Exhibit 2, there is a reference in Mr. Koch's calendar at 2:30 p.m. that he was interrupted in a meeting or a conversation he was in having to speak with you.

A Um-hu~~m~~h.

Q Do you recall the reason you interrupted him and the substance of your conversation with him?

A My guess, my speculation is that having been asked around--somewhere between 12:00 and 12:30 to find information, by 2:30 I had some information which we could then carry down to Colin Powell.

Q Do you have a specific recollection of what?

A No.

MR. SABA: All right. I would now like to introduce Exhibit 4, I believe, into the record, which is a handwritten note.

(A document was marked Deposition Exhibit No. 4 for identification.)

BY MR. SABA:

Q And, Dr. Gaffney, could you tell us if the note is in your handwriting?

A Yes, it is in my handwriting.

Q The note states:

''1.'' and then it says, ''100 to Israel shipped two weeks ago.

''2.'' and then there is a ''11 to [redacted] gone; others delivered to FF.'' And I can't read your last sentence.

A The rest is a Xeroxing thing because it's the same words.

MR. SILBER: From the back of another page.

THE WITNESS: Probably, yes.

BY MR. SABA:

Q All right. Can you tell us what this note represents?

A Well, okay. The printout wasn't in sufficient detail. I had to go to the Army. I went to Mr. Bill Jackson in the Army to get further information, and my diary

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note on 19 November, a page marked 36, has a little note there that says, ''Check with Bill Jackson tomorrow.''

Q And you're referring, are you not, to Exhibit No. 1?

A Yes.

Q Page 36. The second page of that exhibit.

[Mr. Silber conferring with the witness.]

THE WITNESS: And it says, ''Check with Bill Jackson tomorrow.'' So tomorrow would be 20 November, and he got back to me with this particular information first off.

BY MR. SABA:

Q So you believe that this information came to you on the 20th of November?

A Yes. And he called me on the phone and I grabbed the nearest piece of paper which I had. I wasn't at my own desk; I was sitting at the Director's desk and he keeps a clean desk. So I took a piece of paper off a cable which was in the ''Out'' box and took this note off his phone conversation with me.

MR. SILBER: It's just a tear, a corner.

THE WITNESS: Just to tear a corner. It didn't have any material on it and, coincidentally, it had a date of 19 November on it, which is appropriate since cables take about a day to get in. And it was probably 20 November when

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I got this particular note back from Mr. Bill Jackson.

BY MR. SAXON:

Q Who and where is Bill Jackson?

A Bill Jackson is the--on the Army staff, an organization called DALO-SAC--s-a-c--and he is the, let's see. There is an Assistant Deputy Chief of Staff for Logistics for Security Assistance, otherwise called DALO-SAC, and Mr. Jackson is his deputy, a civilian.

Q So the answer to my question is he is the deputy to who?

A Deputy to the Assistant Deputy Chief of Staff for Logistics.

BY MR. SABA:

Q Would it be your understanding that the number 100 shipped to Israel, number 11 gone to [redacted] would then be subtracted from the number 220 entered on your work diary the previous day?

A Yes.

Q And that it could be inferred that to your knowledge on the morning of the 20th there were 109 Hawk missiles available?

A Yes, although I never went through that particular calculation.

Q That was my next question. Did you go through that calculation?

A Well, I don't remember. The more important thing was the next handwritten note that you may want to enter at this time.

MR. SABA: All right. That will be Deposition Exhibit 5.

(A document was marked
Deposition Exhibit No. 5
for identification.)

THE WITNESS: Which has prominently the word ''Red River'' in the middle of it.

MR. SILBER: May I interrupt at this point?

MR. SABA: Off the record. Yes.

MR. SILBER: Well, I'd like--

MR. SABA: --on the record?

MR. SILBER: Yes.

MR. SABA: Fine.

MR. SILBER: I just want to mention, if it becomes critical to either a prosecution or a witness before the committee or something like that, the originals of these notes are in my safe and have been since last November--December. Okay.

There are actually two scraps of paper, and, if I'm not mistaken, they're written on both sides. And so some of this is on the back, and that's why this is the Xeroxing through from the other side of the page. Okay. You have two scraps of paper, both written on each side. Okay. Maybe it's a little simpler to see it. But I, in order to protect and preserve it, I just have locked it up, and I've copied it for everybody. If it's ever necessary to produce it, come to me.

. MR. SABA: Well, thank you.

. BY MR. SABA:

. Q When was this note prepared?

. A Well, thinking of that, that it might have been on the back, it looks like a subsequent refinement of the information from Mr. Bill Jackson, who had queried down through the Army staff. First of all, he'd been able to tell me that the 100 to Israel and the 11 to [redacted] were not available, they had gone. Subsequent checking showed that there were, in fact, in hand, in stock sitting in the Red River Arsenal ~~were~~ 164 missiles and that they cost ~~300 they had cost~~ $300,000 apiece.

. Now clearly from the note on the top of the page, 77 of those were destined for the UAE. What the other 87 were, I don't know.

. Q Did this information come that day?

. A Can't swear, but certainly it's very likely to have come on the 20th. Might have come through on the 21st.

. Q What is the reference in the note to ''146K each''?

. A I don't know, because clearly the ''300K'' was circled and that was what I understood to be the basic price of them.

Q When you say the price, do you mean the cost to the U.S. Government or the price under an FMS sale?

A The price under an FMS sale.

BY MR. SAXON:

Q Could 146,000 have been the price you were told the Israelis were going to pay for each of these?

A No. I would not go so far as to say anything like that.

BY MR. SABA:

Q Did you convey any--

A There might possibly be, and it's too large--the numbers don't track. I mean, there's a difference between the production price and the FMS price because we have to add testing and--

MR. SILBER: Surcharges.

THE WITNESS: --and other surcharges on it to get from the individual missile price to the sale price, but that shouldn't double the price.

Right, Jerry?

MR. SILBER: Yes.

THE WITNESS: So the ''146K each'' remains very cryptic.

BY MR. SAXON:

Q Before we go off the record, can I just ask for the record have you ever told Bill Jackson the reason you were requesting this information?

A No.

Q Did you mention Iran?

A No.

Q Did you mention Israel?

A No.

Q Did you mention hostages?

A No.

MR. SILBER: Is the question, subsequent to the conversation? I mean, up until now?

MR. SABA: At any time?

MR. SILBER: Or at that time?

MR. SAXON: At that time.

THE WITNESS: No. Nor subsequently.

BY MR. SABA:

Q We're still in November 20th, 1985.

A Um-h~~m~~h.

X

Q Is this a note of the same day?

A I don't know.

Q All right. I will enter Exhibit No. 6.

(A document was marked
Deposition Exhibit No. 6
for identification.)

BY MR. SABA:

Q Are these your numbers?

A That's my handwriting.

Q Do you recall the circumstances under which you wrote the note?

A No. other than the general circumstances that we were discussing.

Q Do you recall what you did with the information on these three handwritten notes; that being Exhibits 4, 5 and 6?

A Well, the ultimate product now, by this time I somehow had gotten the word to prepare a talking paper for Secretary Weinberger to take to a meeting at the White House or an NSC meeting. I think it was an NSC meeting.

Q How did you get that information?

A I was requested to do so by Colin Powell. I don't remember that Noel Koch was in the loop on that one. By this time Powell was talking directly to me. He called me at home one night, too.

Q Do you recall when that was?

A No. It would have to be in this time frame, though. Whether it's the 20th or the 21st, I don't know.

Q But you think it was the 20th or the 21st?

A Right.

Q And General Powell called you at your home?

. A On one occasion during this exercise. But I don't remember what he even said to me at that time. It was all moving very fast.

. MR. SILBER: But he did say something about preparing something for--

. THE WITNESS: At some point he said, please prepare me a talking paper.

. BY MR. SABA:

. Q And did he tell you what this talking paper should contain?

. A He must have, but I don't recall how much detail he asked me to put into it.

. Q Did he indicate what the paper was for?

. A Yes; for Weinberger to use as a talking paper when he went to a meeting.

. Q Did he say when that meeting would occur?

. A No, he didn't, although the feeling was that it was very imminent. That it could happen on, I believe, Thursday or Friday. Sounded like it was sort of on call.

. Q Did he give you a deadline for the paper?

. A That I don't remember.

. Q But he stated that the paper was to be provided to him that he might provide it to Secretary Weinberger--

. A Um-hu~~m~~n.

. Q --for a meeting to be attended by the Secretary--

A--Yes.

Q --at the NSC?

A Yes.

Q But he did not give you a date or a deadline?

A Not that I remember.

Q In requesting that you prepare that paper, did he mention Iran?

A I can't remember any specific conversation along that line.

Q Did he mention Israel?

A I can't remember that specifically either.

MR. SAXON: Let me interrupt, and say he would have had to have because the point paper you prepared is titled ''Hawk Missiles for Iran.''

THE WITNESS: You took the words out of my mouth.

MR. SILBER: Shouldn't do that.

THE WITNESS: I'm just saying I'm not recalling a specific conversation but clearly I knew enough to make it very explicit. So it had to do with Iran; and in the body of that memo, the possibility that they might be transferred from Israel was also a possibility. Remembering that had been a possibility from the very first conversations we had; in other words, what's entailed in third-country transfers.

BY MR. SABA:

Q I'll show you a photocopy of your work diary for the day November 21st, 1985, page 38.

A Right.

Q And I will mark it Exhibit 7.

A Yes.

MR. SABA: I will have this marked.

(A document was marked Deposition Exhibit No. 7 for identification.)

BY MR. SABA:

Q I'll call your attention to the upper left-hand corner of the page, and I would ask you to explain the eight points there.

A The eight points on that are my outline of a talking paper.

Q What caused you to write those eight points there?

A They had to be stimulated by General Powell. It does not look like the kind of thing that I would have noted down off of telephone conversations. Too neat.

Q I see. Was there a specific number of Hawks in mind? Directing your attention to the first two questions, which imply a certain number.

A By that time I think they were kind of attached to the 120 number because that was the number that--well, now I don't know. I really don't know. All we knew was 164 were available and that the number that we began discussing was

120. So for some reason, I was told to discuss 120 in my talking paper. So I did.

BY MR. KREUZER:

Q Was there any discussion of, at that point where you were told to discuss 120 vice 164, was there an allusion made to funds available that would constitute a ceiling that would be the equivalent of 120 Hawks versus 164?

A No. Nothing like that.

BY MR. SABA:

Q Turning your attention to the third point, was this point in response to a request from General Powell--

A It was, indeed.

Q What was the request?

A The request, just--it's near speculation because I can't remember exactly what he said. But I got the very clear impression from General Powell that I should write a pretty negative paper. That Weinberger was against this and I was to identify the reasons why and pointing out, with regard to the law, the legal requirements.

&

Q At this point, Dr. Gaffney, you understood that you were being tasked with this as the Acting Director of the office?

A That's correct. Solely as the Acting Director of DSAA.

Q What is the reference to ''above threshold'' in item 3?

. A ~~indicate~~ to me it meant indicate in the memo that the price that would have to be paid for 120 missiles would put it above the congressional notification thresholds: i.e., you would have to notify Congress.

. Q What can you tell us about what General Powell told you about item 4?

. A I simply don't remember.

. Q Item 5?

. A I don't remember that either, but, obviously, you know, there ~~was a discussion of some~~ must have been a discussion at some point as, if we let Israel go ahead and deliver them and then we backfill, that's entailed in that procedure.

. Q I see. And in that conversation about backfilling Israel first, was it known to you at that point who the ultimate--what country the ultimate destination was?

. A Yes. Yes.

. Q So that by the 21st of November you knew that these missiles were destined for Iran?

. A Utterly clear.

. Q Utterly clear?

. A That we were talking about Iran, and that we were talking about Israel.

. Q Were you also talking at that point about hostages?

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. A Only because of Noel Koch's speculation.

. Q Did you use the word ''hostage'' in any conversation at this time with General Powell?

. A I really don't remember. Probably not. I was probably being fairly discreet about it all.

. Q Number 6, what is--''Who and how pays?'' Could you explain what that means?

. A Well. ~~And~~ the question was how do you get the monies for them, because somebody would have to get money to ~~restore the money--you'd have to get the money to~~ buy the ones for the UAE that you'd taken from.

. Q That was a question which General Powell asked you?

. A Yes. That was Peace Sun ~~P-SOM~~, as you see.

. I don't know whether he had asked me that in particular, but clearly by this time I was definitely thinking that if you were going to take them out of missiles, say, intended for the UAE you were going to have to buy new missiles to replace them, and you were not going to go to the UAE to get more money. You would have to get money from that customer to pay for them.

. Q Had General Powell suggested any method of payment?

. A No.

. Q Had he suggested any structure to you?

. A No.

. Q All right. The next number, ''Repercussions:

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Iraq, other selling countries,'' what was the genesis of that note?

. A I believe that I was asked by Powell to also put in my talking paper a list of the possible repercussions for the Secretary to use.

. Q So this is--

. A I don't think I would have volunteered that.

. Q So this constitutes a direction by General Powell--

. A Yes.

. Q --to include these points in your paper?

. A Yes.

. Q And number 8, ''How shipped''?

. A I don't know. That must have been a question from Powell; you know, how would we ship these if we had to?

. Q Again, was there any suggestion as to the method?

. A No.

. Q Why is that a particular question? Why does that pose a special problem?

. A I really don't know. You would certainly have to find somebody to carry them. You could either use our own resources, defense resources, or you'd find a commercial shipper. But you notice that in my ~~[the] talking the~~ point paper I did didn't go into that, so I think I ducked that one. Q1 X

. [Mr. Silber conferring with the witness.]

THE WITNESS: I just don't know what that really meant at that point.

BY MR. SABA:

Q My thought is that it would be related to your notation on concealing the ultimate destination since the shipping documents may or may not involve naming the recipient country.

A Um-hu~~m~~h. That's possible.

Q Was that discussed in any detail?

A I don't remember. I don't remember anything like that.

Q Looking at the exhibit, I can't help but notice an arrow through the point to a notation that says, ''Powell is not agitated. Told NSC to ease up.'' Is that a notation--

A That is a reference on a previous page to a project called ~~F-SOM~~ Peace Sun, which I forget what that was, but that's--

MR. SAXON: --unrelated to these matters.

THE WITNESS: But unrelated to these matters.

MR. SILBER: Sale of F-15's to Saudi Arabia.

THE WITNESS: Yes.

BY MR. SABA:

Q It's a matter not related to these?

A Exactly.

Q And is it correct that notation--does that notation have any relevance at all to the eight points?

A No, it does not have any relevance to that.

Q All right. Upon making these notations in your work diary, what event next transpired?

A I produced the ''talker.''

Q When you refer to the ''talker,'' you refer to a--

A --point paper which is entitled ''Hawk Missiles for Iran.''

MR. SABA: And we will make this Deposition Exhibit No. 8. This is a typewritten, two-page document, originally classified Secret.

MR. SILBER: I wonder who's declassified it, by the way.

MR. SABA: It originally appears to be undated. It states: ''Point Paper. Hawk Missiles for Iran.''

(A document was marked
Deposition Exhibit No. 8
for identification.)

BY MR. SABA:

Q Did you prepare this document?

A I prepared it and typed it on my own typewriter.

MR. SILBER: Stamp it.

THE WITNESS: And found the stamp, and stamped it myself. I forgot to put a date on.

BY MR. SABA:

Q I also note that it's not signed. Was that intentional?

A No; a point paper by its nature is not a signed memorandum.

Q Do you recall the day on which you prepared this paper?

A No, but it had to be on the 21st of November.

BY MR. SAXON:

Q Why do you say that?

A Because my outline or points to be covered is dated November 21st from my diary, my work diary.

MR. SILBER: Why couldn't it have been the 22nd?

BY MR. SABA:

Q Could it not have been the 22nd?

A It could have been the 22nd. My own recollection, though, is that the NSC meeting could have happened on Thursday or Friday, and therefore I had to get it down there pretty quick.

Q So you had the understanding that it was for an NSC meeting--

A Yes.

Q --that week?

A Yes.

Q And Thursday would have been the--

A The 21st, yes, of November.

Q --the 21st November, and if the meeting was to be that week it would be that day or the next?

. A Yes.

. Q On the 21st or on the day you prepared the point paper, did you have further discussions about its contents with Noel Koch?

. A Not that I remember.

. Q All right. Let us turn to the exhibits. I mean, to the exhibit. Exhibit 8.

Your understanding, then, Exhibit 8 is your point paper intended to encompass the eight points shown in your work diary on the 21st of November, and intended to be responsive to the questions of General Powell which you originally wrote down in what has been--Exhibit No. 3?

. A Yes.

. Q Looking at the exhibit, look again at the second notation as to $300,000, and there is a second sentence which says it is not a firm price, replacements could cost as much as $437,700 apiece.

. A That's right.

. Q Were these numbers intended for the purchaser? Did you know?

. A I didn't know. They're just strictly the--they cost 300,000 now and if you went out to the contractor, the line having shut down and considering inflation, to buy the replacements would cost this much. And that was an estimate provided to me by the Army.

Q All right. Moving down the page--

MR. SILBER: Could that have been that 146 figure that you were wondering about earlier? The differential?

THE WITNESS: Could be.

MR. SAXON: But it doesn't come out in terms of the--

MR. SILBER: Doesn't come out exactly.

THE WITNESS: It comes close, though. He might have said it cost 146,000 more to produce new ones, but that's just speculation on our part.

BY MR. SABA:

Q All right. Moving down the point paper to the paragraph headed ''The modalities for sale to Iran present formidable difficulties.'

A Um-hum.

Q Could you explain the basis for the first point under that which states, ''Iran is not currently certified for sales, including indirectly as a third country, per Sec. 3 of the AECA''? Did you know that statement to be true of your own knowledge?

A That was my understanding at the time.

Q And how did you obtain that understanding?

A I guessed. I figured given the embargo, mostly because of the fact that we had embargoed any further deliveries to Iran as a result of the Shah falling in 1979, that that embargo continued and many cases were tied up in international litigation, and that therefore from my standpoint I considered them not to be currently certifiable.

. Q Looking at the three subpoints in this paragraph, each of which appear to state a legal proposition, did you compose these three items from your own knowledge?

. A Yes.

. Q Did you refer to Mr. Silber?

. A No. The only question I ever asked Silber was what's the section that applies to third-country transfers, and he said 3(d).

. Q Did you make that request in connection with the preparation of this memorandum?

. A Or maybe earlier, when Colin Powell had first asked me what were the legal complications of a third-country transfer.

. Q Do I take it that in preparation for writing these three paragraphs you did not go to Mr. Silber with the facts and request a detailed legal exposition?

. A No. No.

. Q Did you seek any other advice or assistance?

. A No.

. Q Did you have access to legal material?

. A I had the ~~here's the book. The~~ brown book, entitled Legislation on Foreign Relations Through 1985, dated April '86. So I was using its predecessor.

. Q So, other than requesting a section of the AECA from Mr. Silber, you made no other inquiries--

. A That's correct.

. Q --in expressing your legal opinion?

. A Right.

. Q Did you do that of your own initiative or did anyone ask you not to consult with anyone?

. A Well I did that of my own initiative?

. MR. SILBER: You knew, you were told it was a hush-hush project.

. THE WITNESS: Certainly it was a hush-hush project. And I thought if I could handle it in this way, in this detail without consulting further, I would.

. BY MR. SABA:

. Q Did anyone tell you not to consult further?

. A Well they conveyed to me in the strongest terms that this is a very hush-hush project and I got the clear sense that the lives of the hostages might be at stake here. So that I certainly knew well enough not to tell anybody what it was about.

. Q Did either General Powell or Noel Koch tell you or convey to you the impression that you should obtain additional legal advice?

A No.

Q I take it in looking at the second of these subparagraphs as to congressional notification--

A Um-hu~~m~~h.

Q What was the source of your information for this paragraph?

A 36(b) itself.

Q You consulted the text of the statute?

A Yes. Right. In effect, this is an encapsulation of the statute.

Q Would it be fair to say that prior to your writing this memo you had general familiarity with the statutes?

A Right. Especially 36(b). I hadn't ever really explored 3(d) before.

MR. SILBER: As a matter of fact, there's an error in 3(d). The 30 days can be waived, I believe.

THE WITNESS: Oh, okay. Well, I tried to read it as closely as I could.

BY MR. SABA:

Q Prior to writing this memo had you had occasion in the past in the course of your duties to provide legal advice to anyone else concerning--

A I'm not a lawyer and I don't provide legal advice.

Q Turning your attention to the third one, to the third subparagraph, it states: ''Thus, even if the missiles were laundered through Israel, Congress would have to be notified.''

. A That's a reference to section 3(d).

. Q What did you understand the word ''laundered'' to mean?

. A It could mean one of a couple of things. One is you could take a certain number of missiles from this country and stage them through Israel on to Iran, or you could let Israel sell Hawks out of its own stocks and then backfill them with deliveries from the United States. Either way to me constituted laundering missiles through Israel to Iran.

. Q Were these three subparagraphs concerning the legalities of the transfer discussed further between you and General Powell?

. A No, I had no further discussion with him. I delivered the original copy of this point paper to him and that's the last I heard of this particular point paper.

. Q Did you discuss these legalities further with Noel Koch?

. A No.

. Q With Mr. Silber?

. A No.

. Q With anyone else in the Department of Defense?

A No.

BY MR. SAXON:

Q You delivered this yourself to General Powell?

A Yes.

BY MR. SABA:

Q Were additional copies made?

A I made a copy which I kept in my safe.

Q Did you provide Noel Koch with a copy?

A I don't remember; I might have. It would be consistent with the way we do things.

Q Did you deliver this by hand to General Powell?

A Yes. Yes, I did.

Q In his office?

A As I remember, yes.

Q And do you know the day when you delivered it?

A No.

MR. SILBER: Did you give a copy to Gast the following week?

THE WITNESS: I don't remember.

MR. SABA: The question has been asked as to whether Dr. Gaffney gave a copy of the point paper to Director Gast upon his return to the office.

THE WITNESS: I simply don't remember. I certainly did inform him of it.

BY MR. SABA:

Q We will come to that. But focusing on the point paper itself, did you provide a copy to Glenn Rudd, the Deputy Director, on his turn?

A I don't remember. I physically don't remember, but to do so would have been consistent with my passing the project off back to them.

Q Continuing with the paper itself, the next group of paragraphs speaks to breaking the sale into three or four packages in order to evade congressional notice.

A Um-hu~~m~~h.

Q Had it been suggested to you to find a way to structure the transaction in order that it could be done and evade congressional notice?

A No. About the only reference is back to whatever exhibit it was that the handwritten notes were on based on my conversation with Colin Powell where--''What notices? Break into small packages?''

Q Are you aware of the legal difference between the word ''evade'' and ''avoid''?

A No. I'm not even sure of the word ''laundered,'' it's legal status.

Q In the first paragraph there is a reference that all Administrations have observed a policy against the splitting up.

A Um-hu~~m~~h.

. Q Did you know that from your own knowledge?

. A Yes, basically my own knowledge. I can't say that I had any track record of it, but it's just that there was no case that I had ever heard of where we had split to get past, to avoid a congressional notification.

. Q And in this next subparagraph, what was the basis on which you referenced in particular Chairmen Lugar and Fascell?

. A It was pure speculation on my part. That if you went up and tried to work a deal with Congress, maybe you could do something like this.

. Q Was this paragraph based on any of your readings of the statutes?

. A No, it has nothing to do with the statutes.

. Q Did you mention those gentlemen because of their capacity as the chairmen of the--

. A Solely as their capacity and not because of anything I knew about their predilection to go along with such a scheme.

. Q Moving to the second page, of the political points, I take it from your testimony just a little earlier that the listing of political drawbacks is in response to General Powell's request to be negative.

. A Yes. And to discuss the repercussions.

. Q And do these drawbacks reflect facts from your own knowledge?

A These are entirely out of my own head, based on my own background.

Q Did you consult anyone else in preparing these facts?

A No.

MR. SABA: I have no further questions on the point paper, itself.

MR. SAXON: I have one or two quick ones.

BY MR. SAXON:

Q Dr. Gaffney, to the best of your knowledge, was it an accurate statement that Iran was not currently certified for sales, including directly as a third country, for section 3 of the AECA?

A I can't say that it was, I don't know. But I questioned the--to the extent I knew it, it was accurate.

Q And that would be true likewise for the statement that Congress must be notified of all sales of $14 million or more?

A Yes. That was a simple read right out of the law.

Q And likewise, the statement that even if the missiles were laundered through Israel Congress would have to be notified?

A That was my reading out of section 3(d).

Q Your statement that the customer countries, UAE and

Korea, would have to be told that their deliveries had been rescheduled--

. A Um-hu~~m~~h.

. Q --would you care to render an opinion as to whether that would have had any diplomatic repercussions?

. A It would certainly have diplomatic repercussions. It's a serious inhibition to performing the sale.

. Q With regard to the next page in which you discuss specifically the political drawbacks, even though you didn't consult anyone and even though these statements were your own, you say they were drawn from your experience; is that correct?

. A Yes.

. Q So would it be your opinion at the time, would it have been your opinion that if Iraq found out, as you say, they would be greatly irritated?

. A Um-hu~~m~~h.

. Q And did you believe, as you stated, that if Saudi Arabia and the other Gulf States found out they would also be irritated and alarmed?

. A Yes.

. Q And was it your best judgment at the time that if Israel were the laundering country they would be greatly encouraged to continue selling arms to Iran?

. A That is my best judgment.

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Q And in fact, we had [redacted] reports, perhaps unverified, that Israel had been selling arms to Iran and this is something that was a point of tension between our two countries?

A That is correct.

Q And you stated that if the sale became known all bars would be removed from other countries with which we had been having the same problems; specifically, Spain, Portugal, Greece, United Kingdom, Italy, and Germany, is that correct?

A That would be sort of the end of Operation Staunch, wouldn't it?

Q Yes, sir.

And finally, you indicate that there would perhaps be the risk of prolonging and intensifying the Iran-Iraq war and compromising our influence over Israel and other countries to restrain sales. And so, in your judgment at the time, was that an accurate statement?

A That was my judgment, yes.

MR. SAXON: Thank you.

MR. GENZMAN: Could I follow up with a question or two?

MR. SABA: All right. Sure.

MR. GENZMAN: Are you ready to move on?

MR. SABA: I'm ready to move on.

. MR. GENZMAN: Fine. Let me ask a question or two about this.

. BY MR. GENZMAN:

. Q With regard to the use of your terms ''laundering'' and ''evade,'' were these used by you in the context of putting a negative slant on the paper?

. A Yes, indeed. Yes.

. MR. SILBER: You don't know the difference between ''evade'' and ''avoid.''

. THE WITNESS: No, I still don't.

. BY MR. GENZMAN:

. Q And with regard to your political drawbacks, can you state whether or not you overstated some of these political drawbacks in the context of putting a negative slant on the issue?

. A Those are not overstatements. Those were felt from the heart at the time. There was a deep conviction that those were the kind of repercussions you had to anticipate.

. MR. GENZMAN: Very good. Thank you.

BY MR. SABA:

. Q Dr. Gaffney, you have testified that you took this paper and hand-carried it to General Powell. Do you recall the day you gave it to him?

. A No, I do not.

. Q And did he make further inquiry of you on this matter?

A No, he did not.

Q At that time?

A Right.

Q Ever again?

A Not that I remember, no.

Q And at the end of that week or the commencement of the following week did you make a report on this matter to General Gast or Mr. Rudd?

A I made a report on it to General Gast.

Q And when did you do that?

A That would have been presumably Monday morning, the 25th of November, when he was back.

Q And what did you tell him?

A Oh. Hard to say, but ~~I probably~~ it is highly likely that I showed him the point paper and said I prepared this for Colin Powell.

Q Did you give him a copy?

A I don't remember.

Q Did you tell him the matter involved possible transfer of Hawk missiles to Iran?

A Yes.

Q And did you express to him--

A And I would have said that he had something to do with the hostages as well.

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. Q And what was his response?

. A He just took it in. He did not make any specific response.

. Q Did he ask further questions of you?

. A No.

. BY MR. SAXON:

. Q Have you subsequently asked him if you gave him a copy of the paper?

. A No, I have not.

. BY MR. SABA:

. Q I'd like to show you a copy from your work diary, page 40, dated 25 November 1985--and it will become Exhibit 9. And I direct your attention to a small notation in the middle of the page stating 360 missiles diverted from Iran. Why is that entry on that day?

. A I have no idea now looking at it as it springs up on the 25th of November.

. Q Could that be in response to a request made to you by General Gast?

. A It's possible, but ~~the point~~ I think at that time I'm not likely to have been the one that he would go to for such a question, so I really can't connect this to anything else.

. BY MR. SAXON:

. Q If I can ask you about that same entry, Dr.

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Gaffney. It seems quite simple to me.

You told us in the very beginning when you first inquired into these matters you found out that 1,442 Hawks over the life of our dealings with Iran had been delivered; is that correct?

A Yes, that's right.

Q And you told us that 360 additional Hawk missiles had been bought by Iran prior to the fall of the Shah, but then were not delivered; is that correct?

A Yes.

Q And this page has both of those notations.

A Yes.

Q It says 1,442 delivered and 360 Hawk missiles diverted from Iran.

X

A Um-huh.

Q Wouldn't that seem to suggest these 360 missiles they had bought but were not delivered went elsewhere?

A Yes. Other customers were found for them I'm sure.

BY MR. SABA:

Q And you came to that knowledge, perhaps, on that day?

A That knowledge would have been obtained from the printout that I had gotten earlier that week--or earlier the previous week.

Q Do you know what other customers would have

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received those 360?

A No. Although all of that information would be available from DSAA, but I don't know if that's relevant.

MR. SILBER: Let me just mention that it is conceivable that some of the 360 were not ''delivered'' in a physical sense but were title transferred, and that would become what we call Iranian-titled assets and we would have them. They wouldn't be sold to anyone else except with the consent of Iran.

MR. SAXON: Part of the frozen assets.

THE WITNESS: Part of the frozen assets.

MR. SILBER: Yes.

THE WITNESS: Although I would doubt that very much, Jerry, because when I say ''diverted,'' it means that they were diverted to--

MR. SILBER: Oh, sure. If you were to use the word ''diverted,'' that undoubtedly means that they were sold to somebody else, not just kept in storage.

THE WITNESS: And I remember there was a TSQ-73, a sort of missile-minder system, which had been titled but I think was impounded.

MR. KREUZER: So the 360 diverted, the diverted would apply to, say, the period since we froze their assets?

THE WITNESS: That's right. Somewhere between '79 and '85. They've sold off.

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BY MR. SABA:

Q Do you know if the point paper in fact was given by General Powell to Secretary Weinberger?

A I have no idea.

Q Do you know if there was a meeting of the NSC in which this paper was presented by the Secretary?

A I have no idea.

Q Do you know if General Powell took the paper to anyone else?

A No, I do not know.

Q I would like to call your attention to a work diary entry dated 6 December 1985, page 55, and it will be Deposition 10.

(A document was marked
Deposition Exhibit No. 10
for identification.)

BY MR. SABA:

Q And I would call your attention to the notation in the upper left-hand side which makes reference to numbers of TOW's. Can you give us information about this entry?

A My memory of all this is very hazy indeed. ~~I knew that I, and~~ I've tried to remember how I got into the TOW question. But, obviously, in early December, about two weeks after the Hawk question arose, something happened which ~~when~~ got me back into the loop, doing the same kind of exercise on TOW missiles.

MR. SAXON: Let's go off the record a second.

[Discussion off the record.]

BY MR. SABA:

Q Dr. Gaffney, I would show you now a copy of handwritten notes. I will tell you that these notes have been prepared by Noel Koch in approximately April 1986, and I would direct your attention to the very first entry on the note which says, TOW discussed separately with Rudd and Gaffney in December, and ask you if that helps in your recollection pertaining to your own diary entry for the 6th of December, 1985?

A Yes. Along with my diary entry on 6 December, it tends to confirm that.

(A document was marked
Deposition Exhibit No. 11
for identification.)

BY MR. SABA:

Q Do you recall then the source of inquiry to you that caused you to write that note? Who called you?

A I really don't remember. I have this feeling that it was Armitage at that point, but I'm not sure.

Q Could it have been Noel Koch who called you?

A Could be.

Q But you don't recall?

A I don't recall.

Q All right. Looking at the notation itself, could you look at it again and try to explain what it signifies?

A Notice up on the upper left-hand corner it says 164 minus 77, which happens to be the numbers of Hawk missiles that had been discussed before. And it almost strikes me that people have said, well, we're not about to take away 77 missiles from the UAE. You would leave us only 87 to deal with and that might not be enough. So now we're looking at TOW.

Q Where would you have obtained this information from?

A The numbers?

Q The reference is made to Army inventory, scheduling, shipping dates. Would you have called someone else to obtain that information?

A Seems to me at that time--well why I knew 3,300 TOW missiles were in play, I am not sure. I went to one of the members of my staff who buys TOW's for the Special Defense Acquisition Fund and I said, what do TOW's cost these days?

Q Who would that have been?

A That was Lanny James.

Q L-a-n-n-e-y?

A L-a-n-n-y. His name is, formally, Langley James. And I said, ''What are TOW's costing these days?'' and the

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upper limit he gave me was about $11,000 for a TOW II. Well, I can't say whether it was I-TOW or TOW II. So I used an upper limit.

BY MR. SAXON:

Q And that's what the figure 11,000 represents?

A That's right.

BY MR. SABA:

Q And what about the figure 3,300? Where did that come from?

A That must have come from Koch or Armitage.

Q Did you understand this inquiry to be along the same lines as--

A Absolutely.

Q --as the other inquiry?

A Yes.

Q That is, weapons destined for Iran?

A Yes, that is correct.

Q Did you provide this information to anyone?

A Provided it to Glenn Rudd.

Q Did you provide it to Noel Koch?

A Possibly, but I don't remember it.

Q General Powell?

A I don't remember that he was in the loop, or that I went to him on this occasion.

Q Could the inquiry have come from Glenn Rudd?

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. A Glenn would be unlikely to tap me for this particular piece of information.

. Q So someone else tapped you?

. A Right.

. Q Why would you then give the info in this case to Rudd?

. A It may have been, just to speculate for a moment without knowing where Glenn was on that day, that he was the Acting Director on that day, and that maybe he wasn't available at the moment and the requirement came to me because I had been involved in it previously. ~~Because~~ I have the feeling that I did run around on it a little bit and then when Rudd came back I turned the thing over to him.

. BY MR. SAXON:

. Q You indicated that this most likely came from either Noel Koch or Rich Armitage; is that correct?

. A Yes. ~~Um-hum.~~

. Q Would you think it was possible that it could have come from Mr. Armitage?

. A Because previously Koch had been the Acting ISA, and now Armitage was back as ISA. And I do distinctly remember ~~him. remember~~ talking to him about this in some way.

. Q Around this time?

. A Yes.

. Q So you're very clear you talked to Mr. Armitage sometime early December '85 about TOW's to Iran?

. A Yes, I'm pretty sure.

. Q Do you have any diary entries previous to 6 December that show any conversations with Mr. Armitage?

. A Nothing between that cryptic reference to 360 Hawks on November 25th and this on 6 December. Sometimes it's hard to find stuff but I went through in great detail to see if I could find anything.

. Q And you believe you would have gotten the figure of 3,300 from Secretary Armitage?

. A Yes. I would have got it from on high somewhere, Armitage or Koch. I wouldn't have dreamed it up.

. BY MR. SABA:

. Q Did you have further discussions after the 6th of December with Secretary Armitage on these TOW's?

. A Not that I remember.

. Q With Noel Koch?

. A No.

. Q I'd like to show you another piece of paper, which is from the diaries of Noel Koch--it would be Exhibit 12, now--and it is a photocopy, but I would direct your attention to the entry for approximately 2:00 p.m. and it indicates a conversation with you. Do you recall that conversation?

. A No, I don't.

(A document was marked Deposition Exhibit No. 12 for identification.)

BY MR. SABA:

Q Do you have any--

A And I notice that Glenn Rudd comes in at 2:44 on this.

Q Yes. Do you have any recollection of whether that conversation involved obtaining information on the TOW's from you?

A I do not remember.

Q Is it possible?

A It's very hard to believe. I'll turn to my own record and look.

Q Please.

BY MR. SAXON:

Q For what it's worth, this notation which comes from Mr Koch's diary indicates NLK--Noel L. Koch--Acting Assistant Secretary of Defense, so he was the Acting at that time on January 7th.

A Yes. It could have been some other question that came up, but my pages on January 7th and 8th don't show anything like that.

Q Do they show any meeting with General Powell on--

[Mr. Silber conferring with the witness.]

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. BY MR. SAXON:

. Q Does your diary show any entry on 8 January for a meeting with General Powell or the provision of anything to Noel Koch for General Powell?

. A Nothing on that whatsoever.

. BY MR. SABA:

. Q Do you know if the information on TOW's was included in a paper provided to someone in connection with TOW's?

. A Yes. It was almost an exactly similar point paper which was prepared. ~~well~~ Glenn Rudd I think took a copy of this and converted it into a memo concerning TOW's, and he expanded on it. Yes. And we talked about that paper. I remember cutting and pasting.

. Q When was this?

. A This had to be in December, early December of '85. And I had a copy of that for a couple of days, and Armitage told me to destroy it.

. Q You had a copy of what?

. A The TOW paper. A point paper very similar to this but about TOW's.

. Q All right, let's see if I can reconstruct. You provide the point paper to General Powell on or about the 22nd of November.

. A Um-hu~~m~~h.

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. Q Approximately the following week, you discuss the matter with General Gast, and apparently with Mr. Rudd and provide Mr. Rudd a copy of the point paper.

. A ~~[illegible]~~ Uh-huh. I discussed the matter on November 25th in the early morning with General Gast when he returned to work and probably showed him the point paper I had provided to Colin Powell.

. BY MR. SAXON:

. Q This is Hawks?

. A This is on Hawks.

. Q Okay.

. A Then apparently two weeks later the TOW issue came up, in early December, and there I found myself in the loop with Armitage and with Rudd.

. BY MR. SABA:

. Q And Rudd?

. A Yes.

. Q And Rudd had a copy of your point paper?

. A Yes.

. Q Is it a copy that you furnished to him?

. A Yes.

. Q At that time or the prior time?

. A Yes, so he could model the TOW paper--

. Q At that time?

. A --that he then got into on that. In fact, I probably turned out--I don't know. No. No. Let me just--it's very hard for me to remember it. But what I might have done was start a TOW paper based on this and turned that TOW paper over to Rudd, who then further worked it and refined it and took it on from there.

MR. SILBER: But you talked to Glenn about cutting and pasting?

THE WITNESS: Well, that's right. ~~Because yes.~~ What I think I had done was take copies of this and cut out the first parts having to do with Hawks, take the bottom parts having to do with transfers, and starting with the Hawk material on top, go on through the legal issues as I saw them.

MR. SILBER: Yes.

BY MR. SAXON:

Q And you understood that Mr. Rudd presented that point paper on TOW's to Richard Armitage?

A Yes.

Q If you will look back at Exhibit 11--

A Which was what?

Q Gaffney Exhibit 11, and those are the handwritten notes of Noel Koch. Right here.

A Yes.

Q If you will look at item no. 4.

A Um-hu~~m~~h.

. Q It says, ''TOW paper locked in RLA safe, wouldn't let Rudd keep copy.''

. A Yes.

. Q Would that seem to be the TOW paper to which you have reference?

. A Yes.

. Q Thank you.

. BY MR. SABA:

. Q For whom was this paper intended?

. A My assumption was it's the same sort of thing. Weinberger was still going to meetings at the White House on this subject.

. Q Did anyone tell you that?

. A No.

. BY MR. SAXON:

. Q And you say that Mr. Armitage asked you to destroy the point paper?

. A Yes.

. Q And, as far as you know, was it destroyed?

. A I destroyed my copy.

. BY MR. GENZMAN:

. Q When did he ask you to destroy it?

. A Just about this time. About early December.

. Q And when did you destroy it?

. A At that time.

BY MR. KREUZER:

Q That's the TOW paper?

A That's the TOW paper.

Q Which Mr. Rudd refined?

A Yes.

Q And gave to Mr. Armitage?

A Yes.

Q And was subsequently told by Mr. Armitage he couldn't have access to it again?

A Yes, I guess so. Yes.

BY MR. SAXON:

Q But you had a completed copy, as I understand your testimony. After Mr. Rudd finished it, he gave you a copy? You said you had it for a couple of days.

A No. I would say I ~~had the,~~ certainly had the earlier drafts and certainly drafts of what I had prepared first which Rudd then worked over. I can't say that I had Rudd's final version.

Q But whatever drafts you had is what Mr. Armitage asked you to destroy?

A That's correct.

BY MR. GENZMAN:

Q Was anything said about destruction of the Hawk paper?

A No.

MR. SILBER: And so you kept it?

THE WITNESS: I kept it.

BY MR. SABA:

Q Returning again to Mr. Koch's calendar of the 7th of January, does this conversation assist you in recalling what that meeting might have been about?

A No.

[Off the record.]

BY MR. SABA:

Q Do you recall if this matter came up at all?

A No. I have no recollection whatsoever.

[Mr. Silber conferring with the witness.]

MR. SAXON:

Q Let me catch up with one item that there appears to be a gap on.

You indicated that from Noel Koch's handwritten notes it would appear that when he says, ''TOW paper locked in RLA safe,'' that's the one of which you had knowledge. That would mean at some point Noel Koch had to have become aware that there had been prepared a TOW paper.

A Sure.

Q Did you make him aware of that?

A I doubt that I would have volunteered it.

Q To your knowledge, did Mr. Rudd make him aware of it?

A I don't know. ~~I wouldn't~~

Q Let me ask it this way. Would you know who made Noel Koch aware that--

A No, I would not.

Q Thank you.

BY MR. GENZMAN:

Q Did Armitage say why he wanted the TOW paper destroyed, whatever you had?

A No. I think it was just, "there's a lot of sensitivity for all this and we've got to keep it as close hold as possible."

MR. SILBER: How did Armitage know that you had a copy?

THE WITNESS: Because he was in the loop and I believe, without recalling it specifically, that I went with Glenn Rudd to see him about the subject.

MR. SILBER: And he asked if you had a copy?

THE WITNESS: Yes. Right.

BY MR. GENZMAN:

Q Did he indicate that he just wanted your copy destroyed, as opposed to every copy?

A It was a general thing: I think we should destroy all copies.

Q Did anyone ever bring up the fact that there were also in existence Hawk papers?

A No. No, because he hadn't been in on that one earlier.

BY MR. SABA:

Q Did you see the final TOW paper?

A I may have but I don't remember it.

Q Do you recall when it would have been completed?

A It would have certainly been completed very early in December, at that time. Well I don't know. I think Rudd had owed a product just about that time and he delivered it. It further went through a subsequent revision, though.

Q From your testimony, I have the impression that it was being prepared rather hurriedly, because there was a reference to cut and paste and provision of some earlier ideas.

A Yes.

Q Is it possible that the paper was prepared within a day or two of the 6th of December?

A Absolutely.

BY MR. GENZMAN:

Q From your recollection of the TOW paper, are you able to say whether it was any more sensitive than the Hawk paper?

A No.

BY MR. SABA:

Q Is it possible the paper would have been completed by the morning of the 7th of December?

. A Let's see. My note that I had on that subject was the 6th of December, wasn't it?

. Q Yes.

. A I'm sure it was just about wrapped up.

. BY MR. SAXON:

. Q Were you told, as with the Hawk paper, that this paper was being prepared for an upcoming meeting at the White House, an NSC meeting or other meeting?

. A No, I don't remember. I had the impression, I carried the impression that it was the same sort of scenario because I remember kind of saying to myself, my God, they can't wrap it up if they keep having more meetings on this subject.

. MR. SILBER: But if the Hawk paper was successful, that might explain why you cut and paste. In other words, if the SECDEF found it favorable, the first--

. THE WITNESS: Oh, sure.

. MR. SILBER: So you might cut and paste.

. BY MR. SABA:

. Q If we were to suggest to you that there was a National Security Council meeting on the 7th of December--

. A Um-hu~~m~~h.

. Q --at which these matters may have been discussed, would it seem correct then that this paper was being prepared for that meeting?

A It would seem correct, and it could have been practically produced in time for a meeting on the 7th.

BY MR. GENZMAN:

Q Did you ever receive any feedback--

A No.

Q --regarding the use of the Hawk paper--

A No.

Q --or the TOW paper?

A No.

BY MR. SABA:

Q Did you see the paper following the 7th of December, 1985?

A No.

Q Did you have any further occasion to discuss it with anyone?

A Not that I remember.

Q Were you requested to provide any additional information concerning TOW's or HAWK's?

A No, that's the last I was into it. I think I, in the earlier interview, Roger, I was Acting Director from February 20th through 25th and I thought I was in it then. I thought that's when the TOW's came up, but this subsequent recollection says it was rather back in December.

Q In order to make the record correct, are you suggesting that at an earlier time, perhaps in an interview with some of us, you had a recollection that in February of 1986 you got involved in a TOW matter in Iran?

. A Yes.

. Q Is it correct to say that you do not have that recollection now?

. A That's correct.

. Q Is it correct to state that you were not involved in TOW's or HAWK's or the Iranian matter in February of 1986?

. A That's right.

. Q And is it correct to state, then, that that earlier reference is actually a reference to the period of December 1985?

. A Yes.

. Q And that you have corrected your earlier impression by reference to your work diaries?

. A That's right.

. BY MR. SAXON:

. Q And for the record, when you refer to an earlier interview would that be an interview with the House and Senate staffs with you on April 10th?

. A Yes. It was with Roger and Bud Aldridge and John Nields.

. Q Bud Albright.

A Bud Albright, rather.

Q Yes.

[Discussion off the record.]

BY MR. SABA:

Q Finally, Dr. Gaffney, I want to show you this document, which is a handwritten note 12 December 1986 on DSAA notepad.

A Um-hu~~m~~h.

MR. SABA: This would be Exhibit 13.

(A document was marked Deposition Exhibit No. 13 for identification.)

BY MR. SABA:

Q Do you recognize the note?

A Yes. It's my notes, my handwriting and it was done at Jerry Silber's suggestion when I turned this document over to him.

Q So that note was handwritten by you on the occasion of your providing Mr. Silber with the original of the Hawk point paper?

A Providing him with a copy that I had in my safe, not the original. I do not have the original.

Q I see. But you maintained a photocopy in your safe and you provided that to Mr. Silber then?

A That's correct.

Q And this note indicates that?

A Yes.

Q All right. I have some general questions now which I would like to ask, and I think Mr. Saxon has some additional questions as well.

Concerning Hawk missiles and the November 1985 point paper--

A Um-hum.

Q --did anyone make you aware at that time that there was, at the time period 18 November through the 25th of November, an action going on involving the transfer of Hawk missiles?

A No. I had no knowledge whatsoever that something was actually happening.

Q In connection with the request to determine Hawk missiles to--

A Although I sort of had the impression that this subject was under discussion. That it had presumably come up in the NSC before, and that it wasn't just an absolutely brand fresh subject.

Q But did you have any knowledge--

A But I had no knowledge.

Q that in that week there was an attempted transfer?

A No, absolutely not.

Q Was there any reference to that--

. A No, there was none whatsoever.

. Q --at that time or subsequently?

. A Unh-~~unh~~ huh.

. Q In the request put to you by General Powell as well as Mr. Koch, was there any request that your inquiry focus on any particular type of Hawk or particular specifications for Hawk?

. A None whatsoever.

. Q Was there any discussion with you as to various altitudes that Hawks might reach?

. A No.

. Q Was there any discussions with you as to particular painting that might exist on different missiles which were to be provided to other countries?

. A No.

. MR. SILBER: You mean insignia, that kind of thing?

. BY MR. SABA:

. Q Or insignia?

. A Or the stenciled markings on the side of a missile, that kind of--nothing came up like that.

. Q Let me ask you a technical question, if I can.

In the case of stenciled insignia on Hawk missiles, do you know if those are easily changed?

. A I have no idea.

. [Discussion off the record.]

BY MR. SAXON:

Q Along these same lines, were you ever told why the Iranians wanted Hawk missiles?

A No.

Q Do you recall any discussion--

A Of course, you know, I knew there was a war going on certainly.

Q Sure.

A And this would be something useful for them to have.

Q Were you told that the Iranians might have wanted missiles to shoot down high-flying Soviet surveillance planes?

A No.

Q Were you told that at any point the Iranians received Hawk missiles that did not have that capability?

A No.

Q Were you ever told at any point the Iranians wanted Hawk missiles in the number of 50? Do you recall the number 50 Hawks being discussed?

A No. No.

Q I guess I should ask for the record whether you ever had any discussions with Colonel Oliver North about Hawk missiles?

A No. No. Nor of anything else, either.

Q Saves us the rest of the afternoon.

BY MR. SABA:

Q Why was the number of Hawks pared down? How do I get from 500 to 120?

A I have no idea.

Q Could this have had anything to do with the cost of the Hawks?

A I wouldn't be surprised.

Q When you had your discussion with General Powell and informed him of the cost of a Hawk, did he have a reaction to that?

A Hard for me to remember, but I think the cost was considered remarkable. Five hundred missiles is a pretty expensive proposition.

BY MR. SAXON:

Q Let me ask one more question in sequence with the ones that I was asking, and that is were you ever asked about the operational capabilities of the Hawk missile?

A No. No.

Q And you never gathered any data or transmitted any data about the operational capabilities of the Hawks?

A No, I didn't.

BY MR. SABA:

Q Did you have any conversations in November and December of 1985 with any other United States Government employee from any other agent concerning either the Hawks or the TOW's?

. A No, I think ~~I've talked to you about~~ I've mentioned all the people that might have been involved.

. Q You had no discussions with anyone at the State Department?

. A No, none whatsoever.

. Q The White House staff?

. A No.

. Q The CIA?

. A No.

. Q All right. That's it on my Hawk questions.

. BY MR. SAXON:

. Q Let me ask you one question which I think you answered but I want to make sure.

When you first got this request from I guess Mr. Koch on Hawks--

. ~~A Um-hum.~~

. Q --and there was a session in which you went down and you met General Powell. You told us that you had the sense that this was a front office operation, coming from the Office of the Secretary of Defense.

. A ~~Um-hum.~~ Yes.

. Q Was it your clear understanding that this was a tasking that was being done at the request of Secretary

Weinberger?

. A Powell never said that to me in so many words.

. Q But is that an inference you drew from the circumstances?

. A Sure. Because Powell would not want it just for his own curiosity obviously. And then as it turned out ~~that~~ he needed it for Weinberger's participation in meetings. First he wanted information and then it turned into a point paper.

. BY MR. KREUZER:

. Q On this Hawk missiles for Iran point paper, it was emphasized more than one time to you by General Powell that the Secretary was not in favor of this proposed Hawk missile transfer to Iran and therefore he wanted all the negative- he wanted a negative point paper?

. A Yes. I certainly got that strong impression. I can't remember the explicit instructions, but there was no doubt in my mind.

. Q Were the same instructions forthcoming with regard to the subsequent TOW paper that was prepared? Were the same general terms more or less expressed; the Secretary does not support transmission of TOW's either, and he would like a negative slant on the TOW proposal?

. A I didn't have anything to the contrary, so we proceeded in the same line.

Q Would it also be fair to say that in looking at the Hawk proposal, and, perhaps, at the TOW proposal, that it could constitute a set of ground rules or plans which would have to be followed in order to transmit--

A There was a desire to lay out the practicalities, the steps you'd have to follow.

Q So in addition to being a negative paper on Hawk transmissions and TOW transmissions, also these could constitute very practical papers on how to get Hawk's and TOW's to Iran?

A Not very. Because, as you see, it didn't go into the detail how would you transport them, how would you arrange payment, how would you record the payment, et cetera. None of those modalities were contained in it.

Q How about from the point of view that what is covered in the paper such as reporting to Congress, meeting the word, if not the spirit, of the requirements for breaking the transmissions down into smaller packages, just those items addressed in the paper, would that be considered--

A Sure.

Q --pretty good advice?

A A little bit of--well, I don't know whether it was pretty good advice, but it's a bit of a how-to: if you guys really wanted to do this, these are some of the things you would have to do vis-a-vis the legal and congressional notification requirements.

BY MR. SABA:

Q Did you receive feedback on your Hawk point paper?

A No.

Q Did anyone come back to you and indicate how it was received or whether it accomplished anything?

A No. ~~[illegible]~~

Q The TOW paper, do you recall how many pages it was?

A It wasn't more than two pages, I don't think.

Q Do you recall, though, whether in fact it was one, two or three?

A No. I would have said two pages with a possible data page on the back, but I'm not sure of that.

Q Did the TOW paper contain information or opinions as to congressional notification requirements?

A Yes. Yes, Glenn Rudd refined it a little bit from what's shown here but did not change it in substance that I remember.

MR. SILBER: When you say the TOW paper, are you talking about the paper you prepared for Glenn or the paper that Glenn refined? And which is the one that you destroyed?

THE WITNESS: I destroyed--I can't say that, for sure that I had the final copy of what Glenn did, but I think ~~I~~ it was pretty close to what he had done.

MR. SILBER: I see.

THE WITNESS: And I think he showed me the final paper before he sent it up.

MR. SILBER: So the TOW paper is, really, from your knowledge, is your input to Glenn, rather than wasn't necessarily Glenn's. Although you saw it when--

THE WITNESS: No. I saw what Glenn had done to it.

BY MR. SAXON:

Q Do you recall that that TOW paper mentioned the Arms Export Control Act?

A Yes. It had all these same points in it. I think Glenn changed some of the words but not the thrust.

BY MR. GENZMAN:

Q Rudd had no input into the Hawk paper?

A No.

Q Did anyone else?

A No one had. That's solely me, solely my product.

Q Was there any reason why in the case of the TOW paper someone else had input?

A Well because, as I say, I turned out a first cut and then Rudd was back from wherever he was back from and took it over.

BY MR. SAXON:

Q Let me run through a couple of questions on Hawks, if I can, Dr. Gaffney.

To go back to the discussion about giving the missiles to one country--

. ~~A Um-hum.~~

. Q --the notes we went through in earlier exhibits referenced that.

. A Yes.

. Q Is it your recollection that that was in the context of if we were to give them to one country would that help us avoid the problem of notifying Congress?

. A I would suspect so, without really remembering what that notice that I, and I strongly underline the word, ''gave.'' And I think that was the kind of context in which it came up.

. Q All right, sir.

. A There's no dollars involved. How could there be any thresholds? Right, Jerry.

. MR. SILBER: Not true. Not true. The answer to your question is it doesn't make a damn bit of difference whether it was given or sold--

. MR. SAXON: No, that's not the answer to my question because I didn't address it to you.

. MR. SILBER: Yes. Right.

. MR. SAXON: I addressed it to the person who made the notes and was involved in the discussions.

THE WITNESS: Yes. And the answer is to the best of my knowledge.

BY MR. SAXON:

Q When staff members of the two committees met with you earlier, you told them that General Powell reacted with some shock when he found out that he couldn't secure the 500 Hawks. Is that correct?

A Oh, I think so. I think he was.

Q And what would you say, in your opinion, was the reason for that shock? Was it because he would have been unable to get the Hawks?

A They just weren't available.

Q But would that have surprised him, that he didn't have that many available, or would it have upset him--

A It would have upset him because he would immediately start thinking that if he couldn't get it for the important customers you're going to have to start tearing it out of the Army's hide, and that's--and then when you look, and then, you know, our war reserve position was not that great on these things.

Q So would it be your sense from the numbers you looked at that if we were to try to provide any sizable number of Hawks it could have a readiness impact that would be adverse to U.S. interests?

A You bet. Yes.

. Q And you told the staff members in the previous interview that when you briefed General Gast about the Hawk matters that he reacted with some surprise to the briefing; is that correct?

. A I would say that he acted as if he had had no foreknowledge of this kind of thing ever before.

. Q Which would be the reason for his surprise?

. A Yes.

. Q Was there ever a mention of a presidential finding during either the Hawk or TOW discussions to which you were a party?

. A No.

. Q I believe you've indicated that you received a clear impression that your involvement on Hawks was not the first time that the issue of Hawk sales to Iran had come up; is that correct?

. A No. My impression was it was not the first time that a discussion of something like this as a way to get the hostages out had come up. That we were entering an ongoing discussion of some kind, but whether it had ever attached to Hawk, I couldn't say.

. Q And on what would you base that impression?

. A It's a pure impression ~~out of~~ just from Powell. I guess it was just a sensing I had. Because I had the opposite sense from Noel Koch. That Noel had never heard of anything like this before. It was as big a surprise to him as it was to me. ~~[illegible]~~ it was clearly not something that he had been privy to before as far as I could see.

. Q In any discussions you had with Noel Koch, did he ever tell you that he had been involved with negotiating with the Israelis on the price of TOW missiles to be sold to Iran?

. A No.

. Q Did you ever have any discussions on the issue of pricing of TOW missiles other than the simple figure reflected in your diary of $11,000?

. A No. No.

. Q Did you ever inquire into any TOW price figures other than that one? In other words, did you get involved in well what would a basic TOW cost or what is replacement cost, et cetera?

. A Well, I never got down to the basic, which I knew ~~[illegible]~~ would cost something like $3,500 some years before. In talking with my guys, I talked only about current production prices, which range from 9,200 to 11,000. ~~and I pocket behind the~~

. Q Did you ever pass that TOW price, those TOW's in current production, either for the I-TOW or TOW II which you just said were between $9,200 and $11,000--did you ever pass that TOW price on to anyone?

. A Probably passed it to Rudd. He didn't ask me further about it since he's very much better than I am finding out what--

. Q To the best of your recollection, did you ever give that figure, yourself, to General Powell?

. A No.

. Q Did you ever give that figure to Mr. Armitage?

. A I personally did not.

. Q To Mr. Koch?

. A No, not that I remember.

. Q Did you ever get any feedback as to whether Hawks or TOW's had gone forward either to Israel in this time period or to Iran?

. A No feedback whatsoever.

. Q Did you ever get any feedback as to whether these shipments and transfers which were being discussed had been shot down for any reasons dealing with legality, readiness, or anything else?

. A Only that when ~~Hawk,~~ we went through the Hawk exercise and then revised the exercise in the guise of TOW's a couple of weeks later, I just said, well, ~~I~~ they certainly haven't been able to move on this issue.

X

. Q But that was a conclusion you drew on your own?

. A Yes.

. Q Finally, has anybody sought to talk to you in recent months or since these matters became public back in November which in any way could be construed as an attempt to get you to color your testimony or slant your testimony or change your testimony in any way?

. A Yes. I talked to Armitage yesterday.

. Q And what did he say to you?

. A He said: Look. Really. I was out of the country most of February '86, and it just doesn't seem to me I could have been involved then. So when you told people that the TOW issue had come up in February, I just really don't think it happened. I think it was ~~the~~ early December.

So I went back into my book and here is this small reference to TOW, and I believe that.

. Q So we can understand what you said, he was refreshing your recollection with regard to a time period that involved him and, in fact, your consulting your notes reflected that perhaps he was right?

. A Yes, that's right.

. Q Was there anything else that he said or did that you would construe as any pressure to have your testimony come out in a particular way?

. A No, not at all.

. MR. SAXON: That's all I've got.

. THE WITNESS: The only thing I would add on that was when I informed Gast upon his return November 25th, 1985, I think when we cycled back into the problem a couple of weeks later with Armitage on TOW's, he said: Did you tell anybody?

And I said: Yes. I told Gast. I cut him in.

And he chewed me out for cutting in Gast. That's just a measure of how tight they were trying to hold the issue.

BY MR. SABA:

Q Was Gast involved in those TOW's, in that TOW paper?

A No.

Q Did you brief him on it?

A Not me, no. I figured that would be up to Rudd.

Q Since November 1st, 1986 until the present time, other than representatives of our two committees, to whom else have you spoken concerning the events in November, December, January '85-86?

A Oh, a few of my colleagues. ~~That~~ Subsequently when all of the testimony started coming out, I've been showing people copies of this memo.

Q And have you provided any testimony to any other investigators?

A No. Who was--let's see.

MR. SILBER: How about Walsh?

THE WITNESS: Yes. The Walsh people came around.

MR. SILBER: Did they know about the document?

THE WITNESS: No. They had not seen the document.

BY MR. SABA:

Q To which document do you refer?

A My point paper.

BY MR. SAXON:

Q When was this when they saw you?

A About two weeks ago.

BY MR. SABA:

Q Did you provide them with a copy?

A No, I did not. I said go get it from the General Counsel.

MR. SILBER: Got to be good for something. Right?

BY MR. SABA:

Q Were you interviewed by any representative of the Justice Department in November or December of 1986?

A Nobody from the Justice Department has been around.

Okay. Thursday, in DSAA Conference Room with Walsh investigators Cliff Sloan and Bob Braver.

BY MR. SAXON:

Q What day was that, sir?

A That was the 5th of June.

BY MR. SABA:

Q 1987?

A Yes.

MR. SABA: I have nothing further.

MR. GENZMAN: I have nothing further. Thank you.

MR. SABA: Thank you very much. We appreciate your cooperation.

[Whereupon, at 12:48 p.m., the deposition was concluded.]

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19NOV85

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[redacted]

• 220 Hawk missiles due for delivery Nov. 85 – March 88.

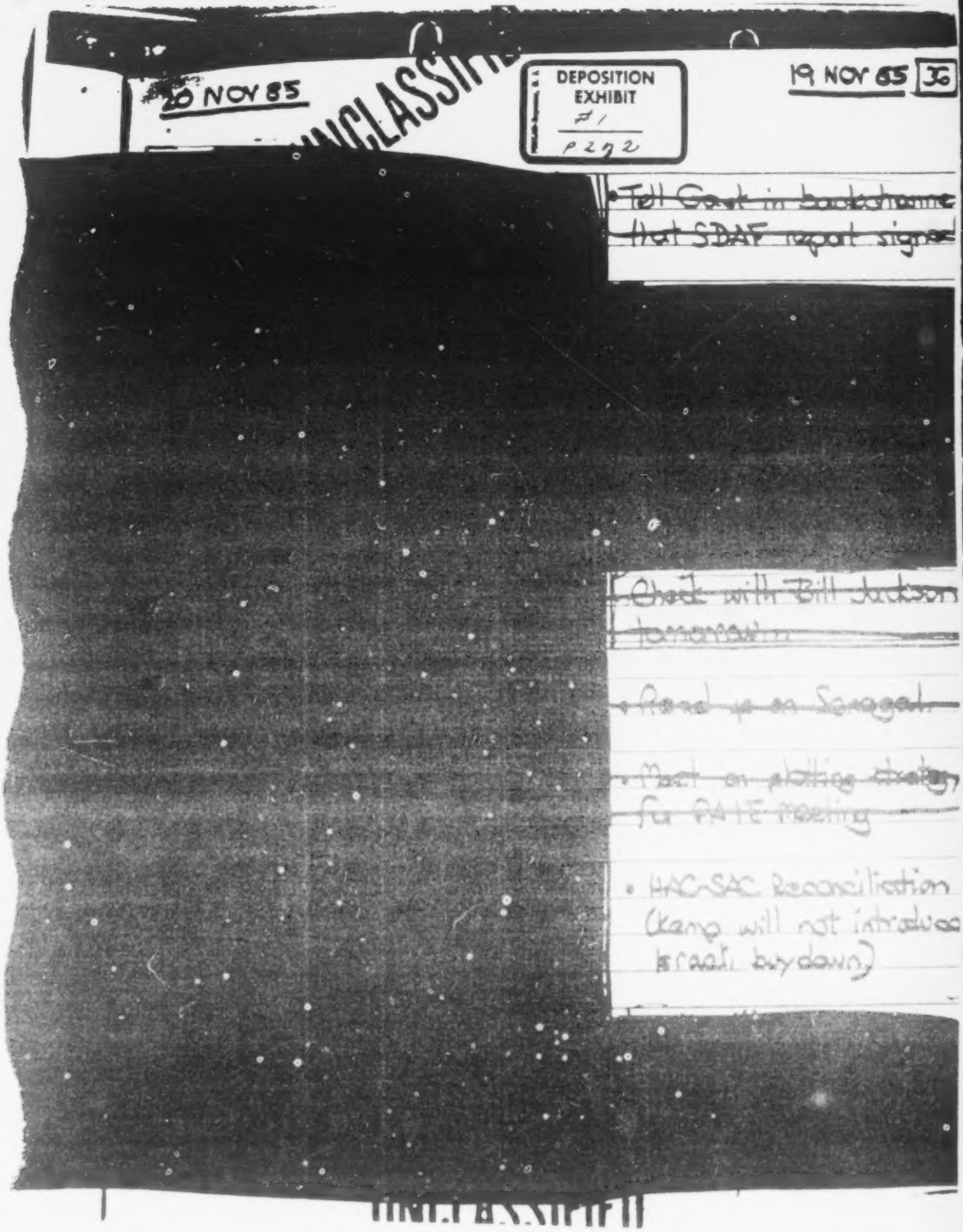
DEPOSITION EXHIBIT #4 1-7-2 GAFFNEY

UNCLASSIFIED

5268

[redacted]

[redacted]



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DEPOSITION EXHIBIT
#1
P272

20 NOV 85

[redacted]

19 NOV 85 36

- ~~Tell Govt in backchannel that SDAF report signed~~

[redacted]

- ~~Check with Bill Jackson tomorrow~~
- ~~Read up on Senegal~~
- ~~Meet on plotting strategy for RATE meeting~~
- HAC-SAC Reconciliation (Kemp will not introduce Israeli buydown)

[redacted]

UNCLASSIFIED

19 November

[1985] 19NOV85 [illegible]

324/42

UNCLASSIFIED

8

8:30 [illegible]

9

9:30

10 [illegible]
[illegible] in conduct
[illegible]

10:30 Set Initiative (3 page
2^15

11 Cabinet meeting (cancelled)
11^15

11:30

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12

To Ken Powell and Ken to Embassy

12:30

Lunch at Desk

1

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1:30 UNCLASSIFIED

2 [illegible]

2:30

Interrupted to talk w/ [illegible]

3 [illegible]
[illegible]
[illegible]

3:30

4 ~~[illegible]~~

4:30

5269

5

5:30

DEPOSITION EXHIBIT
#2

6

6:30

7^30 [illegible]
[illegible]
[illegible] NB [illegible]

7:30 [illegible]
[illegible]

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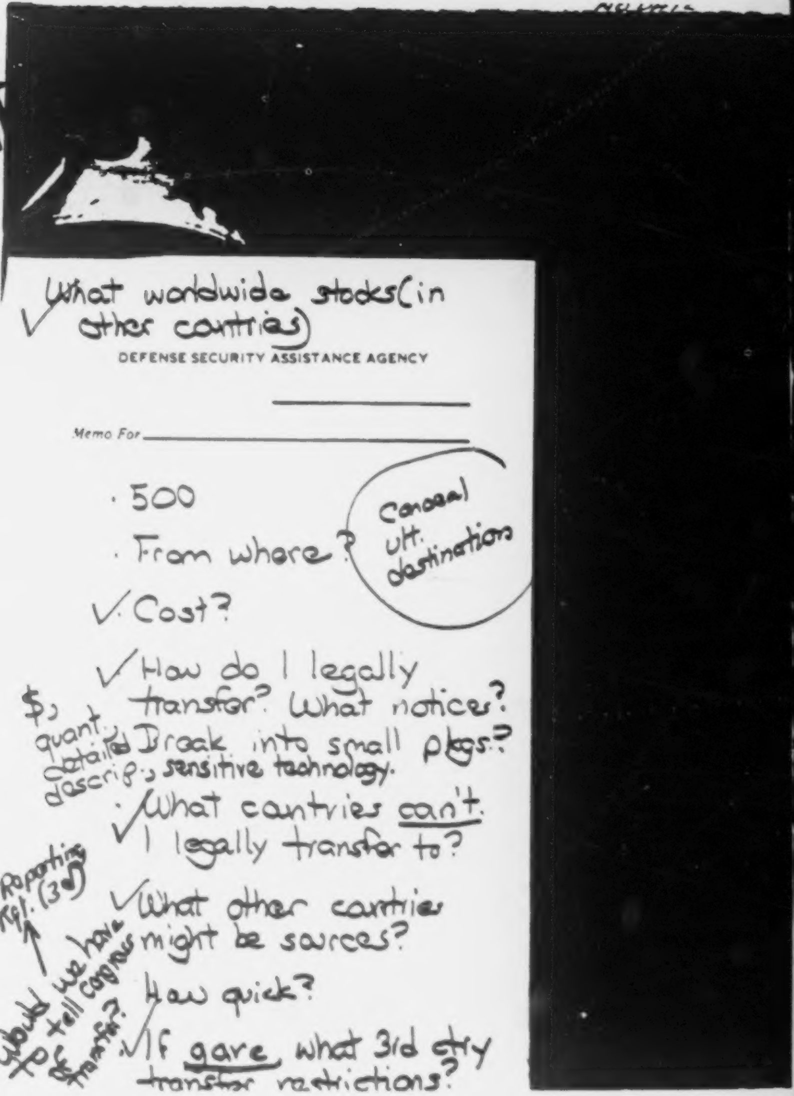

✓ What worldwide stocks (in other countries)

DEFENSE SECURITY ASSISTANCE AGENCY

Memo For

· 500

· From where?

Conceal ult. destination

✓ · Cost?

✓ How do I legally transfer? What notices?

$, quant., detailed descrip., sensitive technology.

Break into small pkgs?

· ✓ What countries can't I legally transfer to?

✓ What other countries might be sources?

Reporting Rqt. (3rd)

Would we have to tell congress of transfer?

How quick?

✓ If gave what 3rd ctry transfer restrictions?

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DEPOSITION EXHIBIT
#3

[illegible]

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5270

UNCLASSIFIED

NO DATE

[redacted]

EXHIBIT
#4

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by B. Reger, National Security Council

3050

1. 100 to Israel
shipped two
weeks ago

2. 11 to [illegible]
others w/immediate to [illegible]

F.F.

F.F.

[redacted]

UNCLASSIFIED

NO DATE

UNCLASSIFIED

EXHIBIT
#5

[redacted]

$$\begin{array}{r} 120 \\ 300 \\ \hline 36000 \end{array}$$

$$\begin{array}{r} 120 \\ 77 \\ \hline 43 \end{array}$$

UAE produced

146K each

Red River
Arsenal 77 (of which 3 test)
(Texas-Ark) 87 (of which 4 test)
164 300K

[redacted]

[redacted]

3049

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UNCLASSIFIED

1. Find ban
2. When available?

[redacted]

UNCLASSIFIED → NO DATE

[redacted]

1. Find 'em
2. When available?
3. Notify Congress
4. Prepare LOA

DEPOSITION
EXHIBIT
#6

5271

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21 NOV 85 36

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'd he

1. How soon to produce?
2. How soon from ~~good~~ stocks?
   how many days?
3. Legal question: strongest terms.
   LOA
   Notice
   Above threshold
   Why piecemeal doesn't work.
4. If to Israelis, have to do renotice for 3rd country.
   Legal
   Policy
5. Procedure
   Israel first – then backfill.
6. Who or how pays?
7. Repercussions: Iraq, other selling countries.
8. How shipped?

Where do we stand on [redacted]

Powell is not agitated. Told NSC to ease up.

Long-standing development of MLRS co-production consortium has now been thrown for a loop by [redacted]

REPORT TO GAST

~~• SDAF report signed~~
~~delivered; ADD will follo~~
~~• Peace Sun brochure~~

[redacted]

~~• Robust budget memo~~
~~• Hampecker retirement~~
~~(he will want you to~~
~~officiate) AF approves~~
~~December 20~~
~~• HAC 2nd CR markup~~
~~• Rowan & Gruner on~~
~~robust study~~
~~• Senegalese visit~~
~~• SDAF session in RAE~~
~~• UK Tornado visit~~

• NATO Coop reply to Iklé – IIT, with Michael.

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#7

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5272

UNCLASSIFIED NO DATE

DEPOSITION EXHIBIT #8 [illegible]

~~SECRET~~

Hawk Missiles for Iran

- Missiles are available right now, suitable for foreign sale. There are 104 missiles at Red River Arsenal - 77 intended for UAE and 27 for Korea. Seven of these are intended for tests, but the tests can be foregone.

- The missiles at Red River Arsenal cost $300,000 apiece. This is not necessarily a firm price, and replacements could cost as much as $437,000 apiece.

- Thus, the total bill for 120 missiles would be $[illegible]2.5 million. To this, applicable charges would have to be added (NRC cost, administration charge, packing and transport charges, plus storage).

- The missiles for Korea and UAE would have to be replaced, so DSAA will need the money to replace them.

- The modalities for sale to Iran present formidable difficulties:

  -- Iran is not currently certified for sales, including indirectly as a third country, per Sec. 3 of the AECA.

  -- Congress must be notified of all sales of $14 million or more, whether it is a direct sale or indirect to a third country. The notice must be unclassified (except for some details), and the sale cannot take place until 30 days after the notice. The 30 days can be waived for direct sales, but the third country transfer has no such provision, and notice must still be given in any case.

  -- Thus, even if the missiles were laundered through Israel, Congress would have to be notified.

- It is conceivable that the sale could be broken into 3 or 4 packages, in order to evade Congressional notice.

  -- While there is no explicit injunction against splitting up such a sale (subject to check...), the spirit and the practice of the law is against that, and all Administrations have observed this scrupulously.

  -- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fascell and their minority counterparts, they might agree to splitting the sale into smaller packages.

- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

UNCLASSIFIED ~~SECRET~~

Declas. at [illegible]
(see [illegible])

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1-8
p272

-- Political drawbacks are equally formidable

- -- If Iraq ever found out, they would be greatly irritated. Their sources of supply are more readily accessible than Iran's, however, so there would be no effect in that respect.

- -- Saudi Arabia and the other Gulf States would also be irritated and alarmed.

- -- If Israel were used as the laundering country, they would be greatly encouraged to continue selling to Iran, and to expand their sales.

- -- If the sale became known, all bars would be removed from sales by such countries as Spain, Portugal, Greece, UK, Italy, and FRG, countries who are only barely restrained from overt, large sales to Iran now.

- -- In short, the risk is that of prolonging and intensifying the Iran-Iraq war, while seriously compromising US influence over Israel and other countries to restrain sales to Iran.

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25 NOV 85 40

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[redacted]

~~Talk to Rodd on DSAA personnel~~

360 Hawk missiles diverted from Iran (1442 delivered)

CPD

[redacted]

2. Hill Appts. Who to go? Principals plus notetaker (D. Berlind) - or others? Tyler/Mantel think smaller.

2. What to Hill? Nothing to take - just one-pager in the CPD take-along. Sample country page?

[redacted]

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DEPOSITION EXHIBIT #9

5274

55 6 DEC 85

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6 Dec 85

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164 I-TOW: TOW-II back?
−77
87 TOW II replacement
price... wait leadtime...
3300 which is long because
11,000 more being made.
3300 Almost have to
3300 come out of Army
$3,300,000 inventory... What
schedule? I-Hawk: shipping
dates? Testing going on...

[redacted]

PHONE TO ANALYZE
GRAMM-RUDMAN
↓
Add bar to $967
chart

OMB
Team
plans
to attack
briefing?

[redacted]

Challenges for the Coming Yea

[redacted]

Accomplishments
The really major ones:

[redacted]

CR passed Sunday →
Conference tomorrow.
Another CR into
January? (or Feb)
WHAT ABOUT SDAF?

CT not in there.

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EXHIBIT
#10

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Koch DX 2
No Date

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
INTERNATIONAL SECURITY AFFAIRS
AFRICA REGION

[redacted]

DEPOSITION EXHIBIT
11

MEMO FOR

✓ TOW discussed separately w/ Rudd & Gaffney in Dec.

[redacted]

✓ TOW paper locked in Rhett's safe, meanwhile Rudd has copy.

Original was 3000. definitely this number in deck.

No way to keep transfer secret. Gast said little possibility of [illegible] [illegible] to the [illegible].

Thompson [illegible] would attack unless we are forced to waive Sec. 36B (notice to Hill)

CIA purchase (through [illegible]) [illegible] x Sec. / Rep [illegible] w/ 10w's [illegible]

[redacted]

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NCK. Koch, ASD [illegible]

[1986]

7 JAN 86 — Tues

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Epiph
6/…359

January 7

8:30 Senior Staff Mtg

9:15 [illegible]

9:30

10

10:30

11:00 NSC [illegible]
[illegible]

11

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by K. Johnson, National Security Council

11:30

12

12:30

12:00 [illegible]

1

1:30 Gen. Tal[illegible]

2 - [illegible]
2:05 [illegible]
2:15 [illegible]

2:30
2:45 [illegible]

3 [illegible]

[illegible]

3:30 [illegible]
[illegible]

4

4:30 Lv [illegible]

5
[illegible] 740-[illegible]
5:15 dep for [illegible]

5:30 [redacted] Mtg [illegible]
Rm 370, OEOB

6

6:30 dep [illegible]

5277

7

DEPOSITION
EXHIBIT
12

7:30

UNCLASSIFIED 12 DEC 86

DEFENSE SECURITY ASSISTANCE

· 12 Dec 86

Memo For: Record

The attached talking points were prepared by me, as Acting Director, DSAA, on or after 19 November 1985, at the request of Noel Koch and Gen. Colin Powell (then Mil. Asst. to SecDef). They were furnished to Mr. Koch to take to Gen. Powell.

[illegible]
695-5459

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5278

DEPOSITION
EXHIBIT
13

or foreign sale.
intended for
tended for tests,

apiece. This is
ts could cost as much

be $36-52.5 million.
added NRC cost,
charges, plus

be replaced, so

idable difficulties

sales, including
ec. 3 of the AECA.

es of $14 million
or indirect to a
nclassified (except
ot take place until
ys can be waived for
transfer has no such
given in any case.

dered through Israel.

ken into 3 or 4
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n against splitting
, the spirit and the
and all Administrations

-- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fascell and their minority counterparts, they might agree to splitting the sale into smaller packages.

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4343

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Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

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DEPOSITION OF HENRY HAROLD GAFFNEY AND
GLENN ALLAN RUDD

Monday, June 22, 1987

U.S. House of Representatives,
Select Committee to Investigate
Covert Arms Transactions with Iran,
Washington, D. C.

The Committee met, pursuant to other business, at 10:45 a.m., in Room H-139, the Capitol, Roger Kreuzer presiding.

Present: Roger Kreuzer, Joseph Saba and Robert Genzman, on behalf of the House Select Committee

Also Present: Jerome H. Silber, General Counsel, Defense Security Assistance Agency, Department of Defense.

[redacted] Declassified/Released on 1-22-88
under provisions of E.O. 12356
by N. Menan, National Security Council

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Whereupon,

HENRY HAROLD GAFFNEY and GLENN ALLAN RUDD, were called as witnesses, and after having been previously duly sworn, were examined and testified further as follows:

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. KREUZER:

Q Mr. Rudd, Dr. Gaffney, I would like to call your attention to Exhibit 1 which is -- Exhibit 2, excuse me, which is entitled Prospects for Immediate Shipment of I-Hawk and I-TOW Missiles and in paragraph 1, under I-Hawk, it states "There are 164 missiles available at Red River Arsenal, 75 intended for the UAE" -- which I take to mean United Arab Emirates -- "and 84 for Korea."

To the best of your knowledge, Mr. Rudd, and the best of your knowledge, Dr. Gaffney, do either one of you know what the disposition was of these missiles referenced in this paragraph?

A (Witness Gaffney) I have no idea what the disposition has been.

A (Witness Rudd) I don't know off the top of my head, either. My presumption is they were shipped to the countries.

Q Has anyone ever discussed those missiles with you at any time, the disposition of them?

A (Witness Gaffney) Not with me.

A (Witness Rudd) No.

Q So no one has ever mentioned to you, you've never asked anyone, nor had any discussion with anyone about whether the 75 missiles designated for the United Arab Emirates and/or the 84 missiles for Korea were in fact ever delivered or where they are now?

A Well, I can say -- the answer to that is no. I can say that I have heard no complaints from either the UAE or the Koreans that they have not got the missiles that they ordered, however.

Q Have you ever seen any record indicating that they have been delivered?

A I haven't seen one.

A (Witness Gaffney) I have not.

MR. SABA: That is it for the record.

MR. SAXON: Other than to say both committees appreciate both of you gentlemen coming back for further deposition and helping us through the weekend to piece these documents together.

MR. SABA: Thank you very much.

(Whereupon, at 10:47 a.m., the deposition concluded.)

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Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

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DEPOSITION OF HENRY HAROLD GAFFNEY AND
GLENN ALLAN RUDD

Monday, June 22, 1987

U.S. House of Representatives,
Select Committee to Investigate
Covert Arms Transactions with Iran,
Washington, D. C.

The Committee met, pursuant to call, at 8:45 a.m., in Room H-139, the Capitol, Joseph Saba presiding.

Present: Joseph Saba, Roger Kreuzer and Robert Genzman, on behalf of the House Select Committee.

John Saxon, on behalf of the Senate Select Committee.

Also Present: Jerome H. Silber, General Counsel, Defense Security Assistance Agency, Department of Defense.

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by K. Johnson, National Security Council

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Whereupon,

HENRY HAROLD GAFFNEY, JR. and GLENN ALLAN RUDD, were called as witnesses, and after having been first duly sworn, were ~~examination~~ examined and testified as follows:

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Good morning, Mr. Rudd, can you state your full name and current position for the record?

A (Witness Rudd) Glenn Allan Rudd, Deputy Director, Defense Security Assistance Agency.

Q Dr. Gaffney?

A (Witness Gaffney) I am Henry Harold Gaffney, Director of Plans in the Defense Security Assistance Agency.

Q Both of these gentlemen were deposed last week and this deposition this morning is -- or can be viewed as a continuation of those earlier depositions.

Mr. Rudd, I'd like to show you a document which we will label Exhibit 1. It is entitled "Possibility for Leaks". It is two pages. It is undated and it is unsigned. I will ask you if you recognize the document and if you could tell us something about it?

A (Witness Rudd) Yes. I recognize the document. I either prepared it as an original or I did an extensive rewrite of a document which would have been prepared by Dr. Gaffney in preparation for a meeting with Assistant

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Secretary Armitage, which I am now sure happened on the 6th of December, 1985.

(Deposition Exhibit No. 1 was marked for identification.)

BY MR. SABA:

Q So the paper was prepared for Richard Armitage, Assistant Secretary of Defense for International Security Assistance; is that correct?

A Yes.

Q And --

A (Witness Gaffney) For International Security Affairs.

Q Affairs. I am sorry. Do you recall when the meeting was with Mr. Armitage?

A (Witness Rudd) It was on the day of December 6, 1985.

Q And on that day, you provided him with this paper?

A Yes.

Q Can you please tell us what your intention was in writing the paper?

A He had asked for the legal ramifications of the possible sale of Hawk and TOW missiles, either directly to Iran or as a replacement for an Israeli shipment to Iran.

Q Did he provide you any additional guidance by

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way of where he wanted this paper to go, for example?

A Not that I could recall. I know now, but I didn't -- I can't recall that he did at the time.

Q And can you tell us what guidance you used in preparation of this document?

A I just called on my own -- my own knowledge as to what laws, security assistance laws I thought could be involved with making the transfer.

Q You were generally familiar with those laws and regulations?

A Generally, yes.

Q You have occasion to be familiar with them in your daily duties?

A Yes.

Q Very briefly, what do those duties include?

A As the Deputy Director for the Defense Security Assistance Agency, I am -- we are responsible for program direction of the worldwide security assistance and foreign military sales program which is -- has a wide range of statutory limitations.

Q Would it be your duties in the normal course of your business from day to day to make yourself familiar with those laws and regulations?

A Yes. Although normally, of course, I would call on our lawyers assigned to the DSAA for legal advice.

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Q In preparation for this paper, did you call on the assistance of any other person?

A No. Except probably Dr. Gaffney. He may have prepared the original cut. I don't know. But no legal advice.

Q Just -- Dr. Gaffney, do you recall if you prepared an earlier draft of this or provided Mr. Rudd material for this paper?

A (Witness Gaffney) More than likely I would have provided him a copy of my Hawk Point Paper which I had done in late November for him to build upon.

Q Do you recall yourself ever seeing this paper entitled Possibility for Leaks, Exhibit 1?

A I remember Mr. Rudd working on a piece of paper like that, [redacted] I remember he had expanded on what I provided in the Hawk Point Paper, but I don't remember him putting a title on it, the title Probability for Leaks.

Q Do you recall --

A I mean, the title Possibility for Leaks.

MR. SAXON: You were probably more right the first time.

BY MR. SABA:

Q Do you recall his providing you with this or perhaps an earlier draft of the paper for review?

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A I don't recall. He might have showed it to me.

Q When the paper was completed, do you recall if Mr. Rudd gave you a copy of the completed paper?

A I believe he did not. I believe I had just bits and pieces of it, probably -- no. I would say I did not have a copy of this finished paper.

Q Mr. Rudd, turning to -- again, back to Exhibit 1, the Possibility for Leaks, what is the origin of the title of the paper, Possibility for Leaks?

A (Witness Rudd) Well --

Q Was this your idea?

A It was my specific idea. The origin, of course, was really expressed in the first sentence of the paper, that there would appear no way that I could see that the -- any transfer of arms to Iran, either directly or via -- to replace shipments from Israel could be kept secret under the security assistance system.

Q I take it therefore that the term "this project" in the first sentence refers to a transfer to Iran and that you understood that when you prepared the paper, the ultimate destination of the weapons was Iran?

A That is correct. Or as a replacement to Israel. One or the other.

Q Did you understand in preparation for this paper that hostages were connected with this transfer?

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A It was -- I believe so. I believe that -- no. I am not sure that I knew that then. I am not sure.

Q Were you under the impression that this was a closely held matter?

A Oh, yes.

Q Were you under the impression from -- were you under the impression that this was a matter which was not to become general knowledge and was to be kept as closely held as possible?

A Yes.

Q And therefore was to avoid any leaks?

A Yes.

Q And is the reference to leaks, including references to leaks within the government itself? As opposed to, let's say, the press?

A Well, I think that the two go hand in hand.

Q Moving along in the paper --

MR. SAXON: Before you get into the substance of it, Mr. Rudd, do you remember if you were instructed by Mr. Armitage to slant the paper in any way? I don't mean slant in the pejorative sense, but simply to build a case for or against?

WITNESS RUDD: No. No. I was not.

MR. SAXON: As far as you can recall, it was just what are the legal ramifications?

WITNESS RUDD: That is right.

BY MR. SABA:

Q Moving on to the second paragraph of the paper, I take it your first suggestion of a method involves that first sentence which commences with "With the present"?

A Yes.

Q Can you tell us briefly what you intended by this first paragraph? I take it the paragraph under that, beginning "President must notify..." is actually a subparagraph of that first one, that is the second paragraph is not a second suggestion?

A That is correct. It pertains back to the suggestion on 614.

Q Could you explain to us what your first proposed method would entail?

A The proposal would be that the President under the provisions of section 614 of the Foreign Assistance Act could waive this statute which requires normal notificatic under section 36(b) of the Arms Export Control Act.

MR. SILBER: Excuse me. You made the proposal. There was no proposals. It is one of the three methods.

MR. SABA: All right. yes.

BY MR. SABA:

Q Continue, please.

A This would, in effect, if it were legal and --

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as you see later in the paper, I recommended that the OSD General Counsel personally rule on this, but if legal, it would have at least reduced the number of people in government who would have to be notified of the transfer.

Q Under 36(b), who would receive notification?

A The normal method -- the statutory requirement under 36(b) is that the House Foreign Affairs Committee, the Senate Foreign Relations Committee, Appropriations --

MR. SILBER: Not Appropriations.

WITNESS RUDD: The Speaker of the House. I'll have to look.

BY MR. SABA:

Q And the Chairman of the Foreign Relations Committee?

A Well, certainly the Chairman of the Foreign Relations Committee, the Chairman of the House Foreign Affairs Committee, but I think there are a couple of other statutories.

Q Would this determination and this method proposed be in connection with a transfer directly to Iran? Is that what you were contemplating here?

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A It could have worked either as a sale to Israel to replace an Israeli transfer to Iran, or a direct sale to Iran as long as it was kept highly classified.

The point that I wanted to add on 36(b) is that there is a wide distribution to both congressional staff and different committees and subcommittees of the Congress which goes well beyond what the statutory requirement of 36(b) is.

MR. SILBER: By an informal convention, we distribut copies to appropriations committees, including the members of the House Appropriations Committee, each individual member.

BY MR. SABA:

Q So the normal 36(b) notification has wide distribution in Congress and among congressional staff?

A Yes.

Q Would your proposed method of a 614 waiver involve a complete elimination of congressional notification in those circumstances?

A That was a method, not a proposal. Yes.

No, it would not. There would still -- Section 614 requires notification of Congress, just a more select group.

Q In other words, the method that is suggested here would be -- would involve a different form of notification than a 36(b) notification, but there would still be congressional notification required?

A Correct.

Q And this congressional notification required, however, would be on a more limited -- would be a more limited number of individuals?

A Correct.

Q The third bullet, commencing, "The OSD general counsel should be asked personally to confirm that 614 is legal under these circumstances, since this authority has never been exercised in any way," could you elaborate on that a bit, please?

A ' Since I had not sought legal advice before I wrote the paper, this was a method which I thought was legal but it was certainly without precedent. I felt that the general counsel himself should be consulted before there were any efforts made to actually follow through on it.

Q So you didn't know of any situation in which Section 614 of the Foreign Assistance Act had been used to waive the normal notification -- normal congressional notification under 36(b) of the Arms Export Control Act?

A I did not, no. There had been no -- this had never been done before.

MR. SAXON: To your knowledge, was such an opinion ever rendered by the OSD general counsel?

WITNESS RUDD: No, not to my knowledge.

MR. GENZMAN: Why did you not seek legal advice in the preparation of this paper?

WITNESS RUDD: Because the possible project was so close hold that I had neither the desire nor the authority to go elsewhere.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q Okay.

A Let me elaborate on that.

I was not authorized to discuss this project with anybody else.

Q Mr. Rudd, before we go further, let me back up to the previous paragraph, that is, the third full paragraph, in which you discussed how Section 614 waiver would operate.

For the record, who would the President still have to notify in the Congress if he went the Section 614 route specifically?

A The Speaker of the House and the Chairman of the Foreign Relations Committee, as well as to consult with both the Chairman of the Senate Foreign Relations Committee and the Chairman of the House Foreign Affairs Committee.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Would this be done in advance of the transfer?

A I would -- yes. The statute requires that it be done in advance.

MR. SAXON: As I understand your explanation in this paragraph, there would still have to be the normal letter of offer and acceptance executed; is that correct, sir?

WITNESS RUDD: That is correct.

MR. SAXON: Did you express a concern within this paper that in the process of executing the normal letter of offer and acceptance, that that goes through some bureaucratic channels of people who are fairly knowledgeable about these things and somebody might have raised an eyebrow if that route were followed?

WITNESS RUDD: Yes.

BY MR. SABA:

Q Even if there were a waiver under 614 and the normal 36(b) notification was not carried out, is it your understanding that the security assistance community, which includes a large number of Governmental employees, would in the course of processing the transfer become aware of the lack of 36(b) notification?

A Yes, and would raise questions.

Q That would be unusual; is that correct?

A Yes. It would be very unusual.

Q Moving along to the paragraph which is the fourth bullet, and it commences, "The President can sign an emergency notification under Section 36(b) waiving the formal 30-day notification," I believe the paragraph speaks for itself. Do you wish to elaborate further?

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A No.

Q Does the reference in the last sentence to this country's purchasing the missiles refer to Israel?

A Yes.

Q And it does not refer to Iran?

A No. It could be true for Iran also, but no.

Q No? And I take it that that paragraph contemplates a United States sale pursuant to the standard letter of offer and acceptance to Israel and that you had in your mind that there would be a further transfer by Israel to Iran of the missiles?

A That would be the expectation, yes.

Q And the next paragraph commencing --

MR. GENZMAN: May I interrupt?

Why did you refer to Israel by the term "this country" and why was Iran not mentioned?

WITNESS RUDD: Well, if you read the entire paper, you will see no mention made of either Iran or Israel, so that if the particular paper leaked, that the thought of the project might not be disclosed.

BY MR. SABA:

Q Returning to the paper in the fifth bullet, the last paragraph on the first page, I take it again in the third sentence that the inventory of the country involved is a reference to Israel?

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A Yes.

Q And again I take it that this paragraph contemplates a transfer of I-Hawks and I-TOWs to Israel and a further transfer by Israel to Iran?

A That was my assumption.

Q Do you have anything further to say about this paragraph?

A No.

Q I take it this paragraph reflects the standard method in which weapons would be transferred?

A That's right.

Q Turning the page, there is a final paragraph and it begins, "A further potential problem is associated with legalities of the third country transfer provisions of the Arms Export Control Act."

I take it the paragraph speaks for itself, but I would ask you to elaborate as to what you intended by the last sentence.

A I'm not sure I can really say just what I intended by the last sentence, although there probably would be a method for overcoming this problem. I didn't -- I don't think -- I am sure I didn't think it through at the time. Certainly if a country is determined to be eligible for sale by the President, then that country is also eligible for third country transfer.

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Q But did you have anything in particular in mind when you refer to overcome or deferred?

A Not that I can recall.

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Q Had anything been suggested to you?

A No.

Q Would you say that this sentence is a suggestion for further considering rather than a conclusion on the basis of statute or plans that you had already looked at?

A Most certainly. Certainly.

MR. SAXON: Mr. Rudd, Is it safe to say that that paragraph on page 2 is written in contemplation that Israel would transfer the missiles to Iran?

WITNESS RUDD: Yes.

MR. SAXON: So when we are talking about a country to which we might not sell ourselves and so forth and the retransfer assurances, that is in the context of these probably being transferred or definitely being transferred from Israel to Iran?

WITNESS RUDD: That is correct.

BY MR. SABO:

Q Mr. Rudd, continuing to focus on this paragraph on page 2, it does commence a further potential problem. How did you mean "problem"?

A Well, a further potential problem would have been in the context of the whole paper, which is was that, as I tried to demonstrate all -- any of the possible methods had significant risk for disclosure.

Q So your understanding was that you were concerned

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throughout the paper with maintaining a close hold on the fact that the weapons were to be transferred to Iran?

A Yes.

Q What did you do with this paper when you completed it?

A I provided it to Assistant Secretary Armitage.

Q Do you recall when you provided it?

A On the 6th of December, 1985.

Q Did he indicate in connection -- did he indicate why he wanted the paper?

A Not to my recollection.

Q Did he indicate that he was to provide it to the Secretary?

A I can't recall that he did. I assumed he either was going to provide the paper or give a briefing to the Secretary. I can't recall that he said that, yet he may have.

Q Did he mention that the Secretary required a paper in connection with a meeting the Secretary was to attend?

A No. Not to the best of my knowledge.

Q Do you recall that he told you to do -- that he told you anything else in connection with this paper and the materials he used to prepare it?

A Not to retain copies.

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Q So he asked you not to retain further copies of this paper?

A Correct.

Q Did he tell you why he didn't want you to retain copies?

A I think it was evident that any copy that was kept increased the possibility that the possible project would become known.

Q Did he tell you that or did you just understand that?

A I don't recall.

Q Did, in fact, you keep any copies of the paper?

A No, no.

Q So when you returned to your office, you destroyed your work materials and the drafts and whatever else you had pertaining to this paper?

A Yes.

Q So is it correct that from the time you give this paper to Secretary Armitage you did not see that paper until when?

A I saw the paper on -- what is today?

Q Today is Monday the 22nd.

A What day did I do the deposition?

MR. SILBER: Tuesday the 16th.

WITNESS RUDD: I saw the paper next on the 17th of

m4

June 1987.

BY MR. SABA:

Q How did you come to see the paper on that date?

A I asked for a meeting with Secretary Armitage and asked him if he recalled if I provided him a paper which had to do with TOW missiles.

Q And what did he say?

A He extracted a paper from his safe and said are you -- well, let me add a little bit further. I said I didn't recall that I had provided him a paper that specifically talked about TOWs but that it was my recollection that I had provided him a paper which had to do with legalities of the possible transfer.

He reached into his safe and showed me a copy of this paper and said I don't know where I got it. Is it this one? I said yes, that is it, I'm sure.

Q And did he provide you with a copy at that time?

A No.

MR. SAXON: Did he tell you what he ultimately did with that paper?

WITNESS RUDD: No.

MR. SAXON: As of last week, he didn't elaborate?

WITNESS RUDD: He didn't tell me. I am sure it went to the Secretary the day after it was prepared, but --

MR. SAXON: When would he have told you that?

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WITNESS RUDD: I don't think he ever told me. I think I just deduced that from talk.

MR. SAXON: Let me ask you a question along those lines that asks for a speculative judgment. If you feel uncomfortable making it, that is fine.

But I'm asking you to look at the totality of circumstances as you know. Mr. Armitage has told us in his sworn testimony that he did in fact provide a legal paper to the Secretary prior to Secretary Weinberger's December 7 meeting and he told us specifically it dealt with the Arms Export Control Act and the legal ramifications of such transfers as were being discussed. Based on what you know from the tasking he gave to you, and that this was a close hold, knowing what was involved, would it be your best judgment if he provided a paper to the Secretary on that day that it would be the one we are looking at now that you authored?

WITNESS RUDD: Yes.

BY MR. SABA:

Q I have no further questions on the Possibility for Leaks paper, Exhibit 1. Does anyone else?

Moving along, we have Exhibit 2.

(Deposition Exhibit No. 2 was marked for identification.)

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m6 BY MR. SABA:

Q This is a document entitled Prospects for Immediate Shipment of I-Hawk and I-TOW Missiles.

Do you recall having seen this document before today?

A I do not recollect that I saw the document before today.

Q Dr. Gaffney, do you recall if you have seen this document before today, Exhibit 2, Prospects for Immediate Shipment of I-Hawk and I-TOW Missiles?

A (Witness Gaffney) Yes. I believe I saw that in early December of 1985, that I had a copy of at least a draft in my possession around that time.

Q And do you recall the circumstances surrounding the creation of the paper?

A It was a follow-on to the previous exercise in which I participated having to do with Hawks alone. And similar information was requested to be developed for TOWs as well.

Q Do you recall who -- from whom the request came?

A Armitage.

Q Do you recall approximately when?

A Well, it appears to be around the 6th of December 1985.

Q And how do you date that?

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A I had a note in my own work diary which had made brief reference to 3300 TOWs. I think it was on the 6th.

Q And --

A I don't have my diary here.

Q That is all right. I believe the diary entry for the 6th of December was an exhibit in Dr. Gaffney's earlier deposition or Tuesday, June 16 and he has now been furnished with a photocopy of that diary page.

A On which the date has been cut off.

Q One moment. I have another.

A I should have brought it with me.

Q I have a photocopy.

A It says 6 December 1985.

Q All right. Do you recall if the information contained concerning I-Hawk was provided by you?

A Yes. Well, the data in there is material that I had gotten previously from the Army. There is some additional material in there which I did not develop myself.

Q Do you know who did?

A No, I don't. For instance, the reference to procurement lead time to replace [DELETED] missile would be about 33 months. I didn't furnish that. That came from somewhere else.

MR. SABA: For the sake of an unclassified transcript, I'm going to ask that we strike the name of the

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country which was just mentioned. I presume that's okay with you, Dr. Gaffney?

A Yes. Certainly. So it would be procurement lead time to replace somebody's missile.

Q Turning to the I-TOW section of this paper, do you recall if you provided the data that's contained there?

A No. I don't believe I did.

Q Do you recall who else may have participated in the preparation of this paper?

A Well, in terms of the specific preparation of it as a paper, it would be just Glenn Rudd and myself. In terms of the information, we got the information from the Army.

Q But your recollection is that you and Mr. Rudd prepared this paper?

A Yes. I would say I furnished material to Mr. Rudd, who put this particular piece of paper together.

Q Do you know of your own knowledge what happened to this piece of paper?

A I assumed it went to Mr. Armitage, because it was at his request that it was being prepared.

Q Mr. Rudd, I know you indicated you don't recall seeing this paper. Do you recall seeing or taking part in the preparation of a similar paper or exercise at this time?

A (Witness Rudd) I don't recall it. I think that

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Dr. Gaffney's explanation of it is logical. And I think that it's quite possible, A, that I saw the paper; and B, that I may have done something with it. I just can't recollect it even yet, but I don't think that means that I didn't.

Q All right.

Dr. Gaffney, your recollection is that you participated in the preparation of this paper, you did so with Mr. Rudd, that you did not provide the final draft?

A (Witness Gaffney) That is right.

Q And it's your understanding from your own recollection that Mr. Rudd provided the paper to Mr. Armitage?

A Yes. We are talking about Prospects for Immediate Shipment of I-Hawk and I-TOW Missiles, that paper?

Q That is right.

A Yes. Well, I did not deliver the paper personally to Mr. Armitage. Since he requested it, I assume it had been delivered to him by Mr. Rudd.

Q Your assumption is it went to Mr. Armitage but you did not deliver it?

A That is correct.

MR. SAXON: Mr. Rudd, you testified a few minutes ago that you did deliver to Mr. Armitage the Possibility for Leaks paper?

WITNESS RUDD: Yes.

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MR. SAXON: Do you recall without asking you whether you remember this particular document on I-Hawks and I-TOWs, do you recall whether the Possibility of Leaks document was the only one you delivered?

WITNESS RUDD: It's possible that I delivered this as well as the Possibility for Leaks document at the same time. It's possible I delivered both papers.

BY MR. SABA:

Q Do you have any recollection of delivering a paper containing Hawk and TOW data to General Colin Powell?

A (Witness Rudd) No.

Q Dr. Gaffney, do you have a recollection of delivering --

A (Witness Gaffney) No.

Q The same paper containing Hawk and TOW information to General Powell?

A No.

MR. SAXON: Same question, Noel Koch?

WITNESS RUDD: No.

MR. SABA: Same question to you, Dr. Gaffney.

WITNESS GAFFNEY: Same answer. This went to Armitage. I don't know whether it went on to Colin Powell.

BY MR. SABA:

Q Mr. Rudd, in your meeting with Mr. Armitage last week in which you asked him if you had prepared the paper on TOWs, did he show you this paper, Exhibit 2, Prospects for Immediate Shipment?

A (Witness Rudd) No.

Q So the only paper Secretary Armitage showed you at that time was the Exhibit 1, Possibility for Leaks paper?

A Yes.

Q Did you have any occasion with Secretary Armitage last week to discuss this Exhibit 2, Prospects for Shipment?

A No. I thought that my memory had been confirmed that I hadn't seen the TOW paper.

MR. SAXON: Mr. Rudd, did Mr. Armitage make any statement as to whether the Prospects -- excuse me, Possibility for Leaks paper had been provided to the DoD General Counsel in the course of the House and Senate request for documents on these matters?

WITNESS RUDD: No.

MR. SAXON: He didn't comment one way or the other?

WITNESS RUDD: No.

MR. SAXON: What else can you tell us about your discussion with Mr. Armitage last week?

WITNESS RUDD: It lasted for not over two or three minutes. I asked him to refresh my memory as to whether I provided him a TOW paper which was discussed at [the discussion of] the X

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last deposition. He showed me that paper. I said fine, I've seen it. I am talking now about the Exhibit 1, Possibility for Leaks paper.

MR. SAXON: In the normal course of your business dealings with Mr. Armitage, going back to late '85, early '86, was there an occasion in which you inquired or he offered that any of these papers he had received had gone forward to the Secretary, that the project went forward, or anything along those lines?

WITNESS RUDD: Not to my recollection. I don't recall discussing this subject with Rich Armitage after that meeting of the 6th of December.

MR. SAXON: And you testified last week that in January, we believe it was in the first week or so of January, you dealt with Noel Koch on a related but slightly different tasking with regard to basic TOWs; is that correct?

WITNESS RUDD: Yes.

MR. SABA: Before we go on, following the 6th of December, for the remainder of December 1985, did either of you -- my question first to Mr. Rudd, second to Dr. Gaffney, did either of you have anything further to do with provision of information in connection with Hawks or TOWs?

WITNESS RUDD: Well, I did. I did in January of 1986, yes.

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MR. SABA: My question is only to December, Mr. Rudd.

WITNESS RUDD: No.

WITNESS GAFFNEY: No. I had nothing to do with it after the 6th of December.

MR. SAXON: Going to January of '86 with Mr. Koch, did you ask him at any time does this relate to the exercise we went through in December with you and General Powell and Mr. Armitage on Hawks and I-TOWs?

WITNESS RUDD: Well, I didn't know Powell was involved at the time. I don't know whether I asked him that or not. I obviously did.

MR. SAXON: Did he volunteer this was a follow-on, a different approach, a new avenue of solving the same problem of getting the hostages back?

WITNESS RUDD: He certainly said that it was a consideration for getting the hostages back, yes.

MR. KREUZER: Who said that?

WITNESS RUDD: Noel Koch.

MR. SAXON: Let's go off the record for a second.

(Discussion off the record.)

MR. SAXON: Let's go back on the record.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q Mr. Rudd, we want to shift gears entirely from

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the two exhibits we have been looking at and go directly to our conversations with Mr. Koch which we believe to have been in early January 1986 and about which you previously testified. Let me clarify a couple of things if we may.

Do you recall specifically telling Mr. Koch after you had gotten some data for him on the pricing of basic TOWs and the like and gotten back with him to provide that data to him, do you recall telling him anything about whether this transaction could go through normal FMS channels and whether Congress would have to be notified and if in fact in your opinion you thought it might have to go some other route?

A (Witness Rudd) I told him that I could see no way that we could provide 4000 basic TOW missiles to Israel under normal security assistance channels and expect that it could cover the fact that Israel would -- these would be to replace a shipment from Israel to Iran.

end mas

Q That reason being there is no way why?

A The primary reason was that it -- Israel would only need basic TOW missiles if it would already -- if it had depleted its stocks of basic TOW missiles by a shipment. A sale of TOW-II missiles would have been much more logical, considering Israel's needs.

Q So if I can understand your testimony, the knowledgeable people on the Hill who would have had to be notified would assume that if Israel were buying TOW missiles from us, they would be buying TOW-II or I-TOW, and the inference they would draw if Israel was buying basic TOWs, they might be transferring them elsewhere?

A Not just on the Hill, but throughout the Executive Branch also, and the press, because this would be an open transaction.

Q All right. That takes care of part of it.

What did you then suggest as to another means of this transfer taking place?

A I suggested that the only possibility of keeping it secret would be to provide the missiles through black channels by which I meant have the CIA buy the missiles from the Army and ship them directly to Israel, because at the time we were talking about a replacement of TOW missiles which might be shipped from Israel to Iran.

Q So if I understand your testimony, that would be

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a transfer from the Army to the CIA under the Economy Act and then it would become an intelligence activity or a covert activity and the CIA would then ship them to Israel and then if the destination were to be Iran, Israel would transfer the missiles to Iran?

A Either as a trans-shipment or replacement. Yes, that's right.

Q You are fairly clear that you recall having that discussion and making these points to Mr. Koch?

A Yes.

Q Do you recall whether you ever made these points to your boss, General Gast, the Director of DSAA, in any briefing you subsequently gave him?

A It is quite -- it is probable that I did.

Q And do you, to your own independent knowledge, know whether General Gast ever had a subsequent conversation with Mr. Koch himself about these matters?

A No.

MR. SABA: Or Mr. Armitage?

WITNESS RUDD: No.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q First, Dr. Gaffney, I believe you earlier testified that -- about the 25th of November, General Gast returned to the office and that you provided him with a

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briefing concerning your -- what we call the Hawk Point Paper?

A That is correct.

Q Did you inform anyone else about this briefinq to General Gast?

A No, I did not. No. Just General Gast alone. He was the only one.

Q Did you inform anyone else that you had provided General Gast with a briefing?

A Well, later on in December, when we were talking about this particular exercise, with Mr. Armitage, I told him -- he asked me who else -- had I told anybody, and I said yes, I'd told General Gast.

Q What did Mr. Armitage say?

A Well, he told me I should not have told General Gast.

Q Did he indicate why?

A No. But I assume that it was because he wanted to keep the number of people involved in this down to the absolute lowest number.

Q Mr. Rudd, I just would like to try to summarize a bit, if I can, the testimony on Exhibit 1, Possibility for Leaks, so that I can create a more clear record of this.

Please interrupt me or correct me if I am wrong. I will go through a few quick questions.

My understanding of this document is that you were asked to provide a legal summary of the methods for the possibility of a transfer of certain weapons to Iran, possibly through Israel; is that correct?

A (Witness Rudd) Yes.

Q Is that the reference in the first sentence to this project contemplates that type of transfer, that is, to Iran possibly through Israel?

A Yes.

Q That the first method discussed in this paper is that contained in the first bullet, and that would be that the President would make a determination under Section 614 of the Foreign Assistance Act, which would waive the 36(b) congressional notification provision; is that correct?

A Yes.

Q That even if the President made such a determination under Section 614, the President would still be required to notify the Speaker of the House and the Chairman of the Foreign Relations Committee of such a waiver? Is that correct?

A Yes, that is what the paper says. The law is a wee bit different from that. But there is congressional notification involved.

Q So even if there was a Section 614 determination, although the normal notification of the 36(b) would not be required, there would still be required congressional notification in advance of the transfer?

A Yes.

Q And the next paragraph, which begins, "The OSD general counsel," refers to your desire to have the matter reviewed further by counsel; is that correct?

A Yes.

Q And it further reflects your own experience in having no precedent for the use of Section 614 in this manner?

A Yes.

Q Moving along, the second legal method proposed is an emergency notification under Section 36(b) of the Arms Export Control Act, but you note that you could not provide any explanation as to why an emergency would exist for Israel's purchasing the missiles; is that correct?

A Yes.

Q And the third method expressed in the last option on the page would essentially be the standard procedure which would require a total of a 50-day notification period to Congress?

A Yes.

Q I understand that the matters discussed on page 2 make a reference to the fact that notwithstanding congressional notification issues discussed on page 1, there are, in addition, third country transfer provisions of the Arms Export Control Act which must be satisfied?

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A Yes.

MR. SABA: I have no further questions.

MR. KREUZER: I have one final question, if everybody else is through.

MR. SABA: I understand where you are going, Roger. That is fine.

At this point I believe the unclassified portion of this transcript is completed. I believe Mr. Kreuzer's questions might be viewed as classified.

MR. KREUZER: I was going to avoid mentioning the names.

MR. SABA: I would just as soon you do, if we can do it this way.

(Whereupon, at 10:45 a.m. the committee adjourned and proceeded to executive session.)

end
Mmkb

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No Date

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POSSIBILITY FOR LEAKS

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There is no good way to keep this project from ultimately being made public. Following are three legal methods together with a brief discussion on the possibility of compromise.

- The President can make a determination, Section 614 of to the Foreign Assistance Act, which would waive the statute which requires the normal Congressional notification under Section 36(b) of the Arms Export Control Act (AECA).

- President must notify the Speaker of the House and the Chairman of the Foreign Relations Committee, provide a written justification, and consult with both the Chairman of the Foreign Relations Committee and the Chairman of the Foreign Affairs Committee. This could be done in a classified, close-hold manne and is the best prospect for eliminating leaks from Congressiona sources. However, the problem would come with actually executi a Letter of Offer (LOA) for the material without disclosing to the entire Security Assistance Community that the President had waived the need for Section 36(b) notification (Headquarters Army, USASAC, and MICOM, all are aware of the legal requirement not to process the LOAs without the 36(b) notification process).

- The OSD General Counsel should be asked personally to confirm that Section 614 is legal under these circumstances, since this authority never has been exercised in this way.

- The President could sign an emergency notification under Section 36(b), waiving the formal 30-day notification period. This requires a certification that an emergency exists, and the reasons therefor. While this notification would be classified, the distribution of the Section 36(b) notice is much broader tha would be true for the Section 614 determination mentioned above. Additionally, the Security Assistance Community would have to be informed that the President had made the emergency determinatio and waived Section 36(b) before the LOA could be prepared and issued. There would be no good explanation as to why an emergency would exist for this country's purchasing the missile

EXHIBIT
1

- The last option, if time permits, would be to treat the sale as a routine unclassified action under Section 36(b). This woul require the full 50-day notification period (including the 20-da informal notice) for Congressional review. Both systems are in the inventory of the country involved, and it is possible that the notification would flow through without question. This almost certainly would be true for I-HAWKs in the quantity contemplated; the I-TOW quantities might or might not cause speculation.

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- A further potential problem is associated with legalities of the third country transfer provisions of the Arms Export Control Act. One provision indicates that we will not authorize a third country transfer to a country we do not sell to ourselves. Another requires the third country to sign further retransfer assurances. Under the circumstances, though, these provisions probably can be overcome or deferred.

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PROSPECTS FOR IMMEDIATE SHIPMENT OF I-HAWK and I-TOW MISSILES

I-HAWK

- There are 164 missiles available at Red River Arsenal--75 intended for UAE and 84 for Korea. The missiles have not yet been lot acceptance tested, but there is a very low risk of failure. The missiles will be at Red River until about April 1986 for testing.

- There would be no impact on the UAE if we ship their 75 missiles. The program has slipped in other ways, and can be accommodated within the normal production lead time for replacement missiles.

- Korea would have to be consulted to ascertain the impact on their program, if it is necessary to ship any missiles in addition to the 75 mentioned above. Procurement lead time to replace Korea's missiles would be about 33 months.

- To the best of our knowledge, all of U.S. Army I-HAWKs are with units and should not be considered from diversion.

- Unit replacement price of HAWK missiles is about $437.7K; total package price for 50 would approximate $22.5M; for 100 about $45M. Package prices include FMS surcharges.

I-TOW

EXHIBIT 2

- Army has about [redacted] TOWs (including 40,000 I-TOW) on hand, against a distribution requirement of about [redacted]. About 12,900 I-TOW missiles are available in CONUS depot stocks.

- Based on the numbers, the impact on Army of shipping 3,300 I-TOWs immediately would be serious but not intolerable. No missiles would have to be taken from troops. Based on the seriousness of the requirement, and keeping in mind that the Army would receive TOW-II replacement missiles, it is likely that the Army would reluctantly acquiesce to immediate shipment of the entire quantity.

- Unit price of the replacement TOW-II missile is about $12,200; total package price would approximate $42M, with FMS surcharges.

- Delivery from production of TOW-II pay back missiles to the Army would occur about the beginning of CY 1988. If necessary--though this is not recommended--approximately 2,000 unallocated TOW-II missiles could be delivered from SDAF to Army in second quarter CY 1987.

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COPY NO. 1 OF 2 COPIES

DEPOSITION OF GENERAL JOHN ROGERS GALVIN

Saturday, June 13, 1987

U.S. HOUSE OF REPRESENTATIVES
Select Committee to Investigate Covert
Arms Transactions with Iran,
Washington, D.C.

Partially Declassified/Released on 12 JAN 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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The Committee met, pursuant to call, at 9:00 a.m., in Room B-352, Rayburn House Office Building, with Joe Saba presiding.

On behalf of the House Select Committee: Joe Saba, Staff Counsel; and Roger Kreuzer, Investigator.

On behalf of the Senate Select Committee: John Saxon, Associate Counsel.

On behalf of the Witness: Colonel Quentin Richardson, Office of the Chairman, Joint Chiefs of Staff; and Lt. Colonel Richard C. Rankin, USCINCSO Executive Assistant, HQ USSOUTHCOM.

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Whereupon,

GENERAL JOHN GALVIN

having been first duly sworn, was called as a witness herein, and was examined and testified as follows:

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Good morning, sir.

A Good morning.

Q General Galvin, let me introduce myself. My name is Joseph Saba, Counsel for the House Committee, and my colleague, John Saxon, for the Senate Select Committee.

Also present -- and I would appreciate it, gentlemen, if you would each introduce yourselves for the record.

COLONEL RICHARDSON: I am Colonel Quentin Richardson.

Lt. Colonel Rankin: Lt. Col. Dick Rankin.

MR. SABA: Thank you.

BY MR. SABA.

Q General Galvin, would you please state your full name, your current organizations, station and present duty.

A My name is John Rogers Galvin. I am currently the SACEUR designate, that is the Supreme Allied Commander, Europe, designate in between stations, having just left as Commander in Chief of the United States Southern Command, and on my way to a new assignment in Europe in the NATO organization.

Q General Galvin, could you please relate for us briefly the time you commenced your duties as CINC of SOUTHCOM and the period in which that duty officially ended.

A I commenced my duties in March of 1985 and my duties ended last week on the 5th of June, 1986 -- I mean, 1987.

Q Could you please relate to us the nature of your duties, and specifically in terms of how you relate in your command to each of the MILGROUP commanders in each of the countries in Central America.

A My duties with relationship to the MILGROUPS in Central America is that I am the immediate commander, that is, the next higher commander of the MILGROUP commanders. The MILGROUP commanders actually work for the ambassador. They take orders from the ambassador in the different countries.

So it is, in effect, a shared responsibility of the command by the ambassador and myself. It is an interesting arrangement. I am what is called the Senior Rater. Let me correct that. No, that's right, I am the Senior Rater, which means I write the efficiency report or effectiveness report for the commanders of the military groups. The military group falls within what is called a Country Team, meaning those people who work for the ambassador.

Q Does the ambassador have letter import into the rating of those officers?

A The ambassador does, if he wishes to do so.

Q I see, but he would not necessarily.

A He makes a choice. He can either have no input if he so desires, or he can send a letter or a message. Some ambassadors send messages that say, "I feel the commander has done a good job." Other ambassadors don't have anything to say.

Q How, from a day-to-day point of view -- how does the command structure relate? How do the MILGROUP commanders report to you and how do you supervise their activities?

A This varies with the 17 countries. The most intense and close relationships are in the countries where most is going on, from my point of view, at least, and that would be, for example, in El Salvador, where, in the period of about two years and three months, I visited there approximately every two weeks, or about 50 times.

I also have what's called Task Force El Salvador, which is an ad hoc group meeting about once a month in which the MILGROUP commander comes down to my headquarters in Panama from El Salvador, reports in, talks about what he's been doing, gets advice from me and my staff. I also have staff visits -- in other words -- and I also have communications with him so that there's almost a daily interface in terms of either myself or some representative of my staff calling up there to the MILGROUP commander or one of his people, and then there are face-to-face meetings about every two weeks.

Now that would be for El Salvador. That would range all the way down now to some countries, for example, Paraguay, in which I might see the MILGROUP commander once every three or four months.

Q Thank you.

General, when you assumed your duties as CINC for SOUTHCOM, what briefings were you given, particularly with reference to the Boland Amendment and assistance to the forces opposing the government in Nicaragua?

A I was briefed on the Boland Amendment as to the meaning of it. I was provided, also, I believe I asked for it and was provided paperwork on the amendment. That is, a fact sheet explaining what was prohibited by the Boland Amendment, which, in effect, prohibited just about everything from my point of view, that is, the Department of Defense.

Q Who provided you with that?

A My legal advisor, who is a staff judge advocate, and that would be, in my case, Colonel Cooker.

Q Could you spell that.

A C-o-o-k-e-r.

Q And Colonel Cooker was an Army --

A He is an Army colonel currently stationed in United States Southern Command as the Staff Judge Advocate.

Q And do you recall what you understood the Boland Amendment to require at the time you assumed command?

A Let's see -- I certainly recall it now. I can't remember what I recalled exactly at the time I assumed command, but I think it was the same as I do now, which is that the Boland Amendment, when it was in effect, prohibited assistance to the Nicaragua resistance forces by any members of the Department of Defense.

Q And did you understand that to be the case during your -- the entire period of your command or did you understand that there was any change in that position during the period you have been in command?

A There was a change -- there were several changes in the position as it went along. There were changes which, in effect, if you want to use the word "liberalized" to the Boland Amendment. That is, there was a change -- I'd have to look up the dates where intelligence could be provided to the resistance forces.

And then, of course, there was the change when, on the 18th of October of '86, when the 100 million was provided.

Q Did you understand that until, at least, 18 October 1986, and from the time you assumed command until that date, that no military assistance and support was permitted to forces opposing the government in Nicaragua?

A Yes.

Q General, what was -- at the time that you assumed command, what was your overlap with General Gorman?

A We didn't have an overlap -- or we had maybe a couple of hours of discussion, but I had been in contact with General Gorman before that.

Q And had you been provided by General Gorman briefings as to the activities in each of the Central American countries?

A No.

Q On assuming command, what guidance, if any, did you provide to each of the MILGROUP commanders in Central America on the Boland Amendment or on assistance to the Nicaraguan resistance forces?

A As I went around over time, I did not do that immediately on assuming command, because when I assumed command, I was given to understand by my staff that the MILGROUP commanders understood the Boland Amendment. Then, as I went around and saw them, I assured myself that they did have this understanding. In other words, I asked them, have you had any occasions where people wanted you to do anything that would be in violation of the Boland Amendment? And I might not have specifically mentioned the Boland Amendment as such, but in those general terms.

I assured myself, one by one, with the commanders who had been involved [redacted]

I assured myself that they were aware of where they stood.

Q Sir, were you provided a briefing on taking command, or sometime shortly thereafter, as to the activities of private Americans or others providing supplies -- resupplying the contras?

A No.

Q Did you come to be aware that there were such groups providing such support?

A Yes.

Q Tell us when and how you came to be aware?

A Well, I gradually came to be aware of this [redacted]

In that period, through references that people would make and through the contacts that I had in the military and outside and through, you know, coordination with other agencies and so forth, I came to be aware that there was activity that I called benefactor activity that was going on.

Q Can you tell us in your own words what you understood that activity to be, and I'm focusing more on the initial period just after you took command, rather than what your knowledge may have come to be since then?

A My understanding of it was that in the United States and outside the United States, there were people who, for their own reasons, patriotism or other reasons, were supporting the contras, and they were doing this by providing money, which was then used to buy supplies and those supplies were being shipped into the contras in one way or another.

Q Did you -- did you know specifically who the benefactors or the donors were?

A No. I didn't.

Q Did you come to know who the providers of this support or resupply effort were?

A During the period we're talking about, what I felt I knew about them was that they were hired pilots flying airplanes or hired crews perhaps with boats, but as to what was the organization behind that, I didn't know. I thought that I had some feelings that they were retired military involved in it, among others, because I noticed, either there or here in visits to Washington or somewhere, retired generals -- one of the retired generals -- I can't remember his name --

Q Was it Singlaub?

A I noticed that he seemed to be involved in it, but at the time, I figured that he was involved from a personal point of view -- in other words, I knew General Singlaub was a man who felt very strongly about such causes and that he was involved from his own personal -- for his own personal reasons.

Q Did General Singlaub have occasion to, during the period of your command, to meet with you or speak with you about his efforts?

A No. No, I didn't meet with him at all.

Q Were you aware at any time during your command that General Secord was involved in the resupply of --

A No, I wasn't.

Q Did you have occasion during that period to speak to General Secord or meet General Secord?

A No. No. I've never met him.

Q Did anyone mention to you that General Secord was involved?

A I don't think so.

Q Richard Gadd?

A No.

Q Mr. Dutton?

A No.

Q So I take it that, although you were -- and correct me if I'm wrong -- although you were aware of a private effort involved in operations to resupply the contras, you were unaware of the specific identity of the individuals providing that support?

A That's right.

Q And those persons, to the best of your knowledge, that I just mentioned, in particular being Secord, Dutton and Gadd did not meet you or speak to your during the period of your command?

A No.

Q General, I thought I would proceed with the deposition going through, at this point, through a country-by-country set of questions and then proceed to some more general questions.

A Okay.

Q Realizing that in certain cases, the information overlaps.

Turning first to Guatemala, during the period of your command, who was the MILGROUP commander in Guatemala?

A Let's see -- there was --

Q Colonel David McLaughlin?

A McLaughlin, Dave McLaughlin was the MILGROUP commander, that's right.

Q And how did you relate, in terms of frequency of contact and supervision to Colonel McLaughlin?

A I didn't visit him very often. Between my visits to him and his visits to me, they probably averaged once a quarter, every three months, every two months. I had other contact sometimes with him by message or by telephone, but I didn't get up to Guatemala very much.

Q Was it Colonel McLaughlin or the MILGROUP commander's duty in Guatemala to provide you with regular reports as to everything going on within his -- within his command?

A Yes.

Q And do you recall, was that done by Colonel McLaughlin?

A Yes, it was.

Q Do you recall if Colonel McLaughlin mentioned General Adderholtz or an organization called the Air Command Association?

A He did not.

Q Did you have any occasion to know of General Adderholtz --

A No.

Q -- or of his activities in Guatemala?

A No.

Q General, in terms of security assistance to Guatemala, what input would you have had in your command situation in terms of determining what United States policy and actual security systems would be in respect to Guatemala?

A The security systems in respect to Guatemala is determined by the Country Team with the leadership, the lead in that would be the MILGROUP commander, Colonel McLaughlin. He would make up -- the basis of it all would be an annual report in which he, working with the host nation and with the ambassador and the rest of the team, analyze the military aspects of the country and came to conclusions as to what military assistance was needed.

After approval of that by the ambassador, that would be forwarded, with an information copy to me, and then forwarded to the Department of Defense and the State Department. Actually, there was more to it than that. I would be involved in advising Colonel McLaughlin and my staff would, on what we thought that he should put in the report.

However, the final judgment on it would still be the ambassador. If the ambassador felt it was a correct report, he would approve it, and if not, he could make changes in it. He would have the final say on it within the Country Team.

Q For the period of your command, could you tell us, in your own words, what the development of our security assistance program in Guatemala was?

A Yes, it was zero to start with because the U.S. Government felt that the Guatemalan Government, which was a military government, was a -- was not the proper democratic government for the country and, therefore, the U.S. Government withheld military assistance. There wasn't any military assistance. There may have been a small amount of what's called IMET, which is training, that is, money to put people -- military people in military schools for training courses.

As I recall it, there wasn't even that. Then, toward -- in the second year of my time, the government -- or the first year, the government changed over -- the military turned the government over to the civilians and there was a good democratic election, and Cerezo was elected president.

Then after that --

Q Excuse me, sir, just for the record, just to give us a time frame, can you recall about when that was?

A Cerezo was elected president about the first of 1986, January '86, perhaps, but I'm not sure of that date.

But anyway, then we began pushing harder, "we" meaning the ambassador, Ambassador Piedra and myself, McLaughlin to press the State Department and Defense Department to support military assistance for Guatemala because there was a guerrilla problem and they needed it.

And eventually, we did get some military assistance amounting to about $5 million.

Q Do you recall when the first military assistance grant occurred?

A No, I'd have to try to find that. I don't recall that.

Q Do you recall if there was a sum of approximately $300,000 for military training in 1985?

A That sounds like it would be right, but I don't specifically recall the sum.

Q During that period, were you aware of any link between our military assistance to Guatemala and position of the Guatemalan Government, whether of the 1985 regime or 1986 regime, in connection with its attitude toward the contras?

A No, I wasn't aware that there was any connection in there.

Q All right.

[redacted]

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[redacted]

BY MR. SABA:

Q [redacted]

Sir, do you recall who, during the period you had command, was the MILGROUP commander in Honduras?

A Colonel Ray Garcia was the MILGROUP commander during most of that time.

Q Do you also recall relating to Colonel Jerry Clark?

A Yes, Jerry Clark was Garcia's predecessor.

Q In -- General, if you will bear with me and ask you the same question I asked in the case of Guatemala, and that is, how did you relate to first Colonel Clark and then his successor, Colonel Garcia?

A Well, I related to them much more closely than with McLaughlin because of the nature of the country and the mission that we had. In other words, I saw them more often. I saw Clark about every two weeks.

Q Could you explain that, in your own words?

A Explain why I saw them?

Q Why? What that relationship was.

A In Honduras -- first of all, to compare that with Guatemala, in Guatemala, as I said earlier, we had very little military program because the Guatemalan Government was not a government that the U.S. Government was pleased with. On the other hand, in Honduras, we had a strong military program, which included the MILGROUP, but also Task Force Bravo, which was 1,000 man force at Palmerola, and a series of exercises that we were holding.

So, therefore, I was in Guatemala -- I was in, correction, Honduras more often and I saw Clark and Garcia on the average of once every couple of weeks.

Q This would involved primarily their coming to see you or you going to Honduras?

A Primarily my going to see them in Honduras, and on occasion, say once every quarter of the year, their coming to Panama to see me.

Q During the period of your command, did you have discussions with, first, Colonel Garcia, and then Colonel Clark concerning the large number of Nicaraguans [redacted] [redacted] opposed to the Nicaraguan Government?

A Yes, I did. And the other way around, first Clark and then Garcia, yes.

Q What was the nature of these discussions, and do you recall what was said and concerns expressed?

A First of all, these discussions would be one facet of a very complex series of discussions on a wide variety of subjects in Honduras, but almost always, something would come up about what the contras were doing. And Clark and then later Garcia would report to me whatever he knew about what was going on.

I needed to know -- I tried to know about all military activities in the region. I wanted to know about what the Sandinistas were doing and what the contras were doing, and I had intelligence means at my disposal to find out some of that.

Part of that was to discuss it with the MILGROUP commanders, but also with anybody else that I could find in the Country Team who knew something about it [redacted] So I did discuss each time -- I asked them what they knew, what they had heard, and they reported to me different pieces of intelligence information about the contras and the Sandinistas.

[redacted]

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Pages 29 thru 32

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[redacted] if you had conveyed that information onto your superiors or to -- first, to your superiors at the Department of Defense?

A I don't recall that I passed that on specifically to the Department of Defense, no.

Q Do you recall if you passed that on to anyone working at that time for the NSC?

A I don't specifically recall that, no. No.

Q Did you, in terms of specific individuals, do you recall relating that information to Colonel North?

A No, I don't recall that.

Q To either, first, Mr. McFarlane?

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~~TOP SECRET~~

A I don't recall relating that to anybody, really. You know, there were -- I saw all those people when I would come to Washington, lots of people. My job was to coordinate all of these people.

I assumed during that time that people like that knew these things; they knew that there were benefactor airplanes [redacted] and that these were in support of the contras.

But it wasn't something that I would, therefore, feel it necessary to report to somebody.

[redacted]

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Pages 35 thru 37

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[redacted]

Q Do you recall that there were discussions, first with General Lopez and then subsequently with his successor, Regalado, concerning the provision by the United States of Northrup F5s? I believe F5-Es, but certainly F5s.

A Those discussions, I don't believe took place with Lopez. It was later that those discussions came up about the F5s.

Q Do you recall when they came up?

A I don't recall exactly when. I believe, though, that it was during the term of Regalado, and not of Lopez, and the reason I don't is that there was a gradual approach to the queztion of F5s. It began with an analysis, with a request for parts for the Super Mysteres. There were complaints by the Hondurans who owned the Super Mysteres that they couldn't get parts and they needed to get them and so some Super Mysteres were moved up to the United States under a military assistance program and were refurbished, including things like they needed new canopies: you couldn't see out of the old canopies, and they needed new electronics.

Then it became increasingly obvious that you couldn't continue to refurbish Mysteres because parts were becoming less and less available and more costly and more difficult to find. Then there came a study of how long could the Super Mysteres last, and I think the U.S. Air Force conclusion was something like 1992; that would be the end of them.

Then we began to have sessions with the Hondurans on what did they want to do to replace the Super Mysteres; did they want to replace them and then gradually that worked its way into the F5 question.

Q Do you recall when approximately the F5 question became an issue and a request by the Hondurans?

A I would say toward the end of 1986.

Q End of 1986?

A Yes.

Q General, do you recall any discussion concerning the F5s [redacted]

[redacted] at a meeting held by the JCS on 13 December 1985, in which --

A 1985?

Q 13 December 1985.

A No, I don't recall a meeting in the JCS about -- wait a minute. let me see. No, I'd have to refresh myself. I don't recall that meeting.

Q General, I'd like to show you a document which you may or may not have seen before, so I would invite you to read it in the event you haven't. It will be marked General Galvin Exhibit 2 and it is a photocopy of a CIA document, and it is marked "Secret."

(The following document was marked as JG Exhibit 2 for identification.)

COMMITTEE INSERT

(Pause.)

THE WITNESS: I've never seen this message before.

BY MR. SABA:

Q Would you, sir, care to comment on the message for the record.

A The message concerns what the CIA perceives as activity by me in wanting to [redacted] My comment on it would be that throughout the period of the Boland Amendment, and this would be -- and this message is dated 15 August '86. Throughout the period of the Boland Amendment, there were discussions between my headquarters and the JCS concerning questions of the -- whether or not if the Congress deemed it appropriate -- let me put it this way. I was asked several times what were my views on how the U.S. Government should deal with the contras.

And my views were, at that time, that the contras are a military operation and the U.S. Government ought to deal with them militarily, and I sent messages to that effect to the JCS, saying, if I had my druthers, I as the commander and the individual responsible for military operations of the United States in this region, would want to have direct involvement with the contras, but there was always paragraph 2 or something in there in which I would say, "But I understand that that may not come about. If it does come about, I would do it in the following way. If it doesn't come about, I'll support in whatever ways are being appropriate," meaning legal.

Q Could you explain to us the reference here to [redacted]

A Well, I'm not exactly sure of what they're talking about here, but I am sure of what I have recommended at various times. What I recommended early on in my tour was that if the Congress allows it, [redacted]

I talked this over -- the CIA, too. Of course, the CIA did not support that. The CIA felt that they should continue to operate there.

I felt that if it were permissible, if that were legal to do, and we were looking ahead at that time to a vote -- remember, in the summer of '86, we had been thinking all the way around since the spring that there was going to be an imminent vote and there were possibilities that all of a sudden, the Defense Department would get told to go ahead and do this. Now, whether those were remote possibilities or not, nevertheless, I wanted to be prepared if they did say that.

So I did some planning along those lines while the fact is that it never came about; there was no permission given for that and so we never did any of this. I never [redacted] as this thing would imply.

In fact, the CIA position was they didn't want to do it that way. But that's what I think they are referring to here, although this is the first time I've seen this message.

They -- I think that the agency is saying, we would prefer that the military not do that.

Q Then it was your understanding that -- certainly at some time prior to that, it had, at least, been your recommendation [redacted]

A Well, it was my recommendation with caveats. In other words, all of us working that message traffic understood that there was no way the U.S. at that time could provide any military assistance to the contras and we weren't providing any and -- that I knew of, anyway, and we would have to wait until a vote was forthcoming from the Congress. And there were people in the Congress who were saying, "We'd like to see this thing [redacted] And I felt that there was some chance, whatever, 15, 20 percent chance, that somebody would come up and say, "This is going to [redacted] in which case, I wanted to be at least somewhat prepared for that.

MR. SAXON: Sir, to whom did you make that recommendation?

THE WITNESS: To the JCS. The JCS asked me my views. They said, "State your views on how this whole thing should be run if you had your druthers," and so I said, "If I had my druthers, I would run it." That's the basic thing that I told them.

And I also told the agency that, and the agency said, "Fine, but if we had our druthers, we would run it."

BY MR. SABA:

Q But it is correct to state that it had been your recommendation [redacted]

A That is correct.

Q You understand this to be a response to that recommendation by another agency which had its own views?

A Yes.

Q Directing your attention, then, to the December 1985 period --

MR. SAXON: Before we leave this document, can I ask one question?

MR. SABA. Please.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q General, I would simply ask if you agree with the assessment of the agency in numbered paragraph 2 where they state, and I quote: [redacted]

A Yes. [redacted] -- that's probably -- that probably is correct. [redacted] That's right.

Again, I would say in that that I hadn't worked my way through all of these things. I was -- obviously, there were legal problems; there were political problems; there were many other problems, but I wanted to come on the net with the statement from a military point of view as to how this kind of effort should be run and then let people decide whether or not they really want it to go in that direction or in some other direction, but as the military man in charge of the region, I did not want people to think that that wasn't important to me, that how the U.S. Government supported the contras would not be important to the Commander in Chief in Southern Command, and that he would simply stand back and say I prefer that the CIA run this or I prefer that the State

Department run this.

I felt that it was incumbent on me to state as a commander how I felt. And I made no effort to conceal that at all. Obviously, it was classified, but -- what I mean by that is that I said that to the JCS; I said that to the CIA, and I may have said that to others, saying that in my -- that was my view of how you run a military operation.

MR. SABA. I would like to stay with the document so we might as well stay on this.

BY MR. SABA:

[redacted]

Q And did you not, in fact, report that and support that view in late 1985 to JCS?

A I can't remember when, but my view, as I said, was if it were legal and approved by the Congress, the best way to support the contras would be with the U.S. military support; that's right.

Q So it would be correct to say that you did take the policy decision advocating decisive military assistance?

A Yes, that's correct.

[redacted]

Q Just for the sake of the record, what would be the purpose, from a military security point of view, for Honduras possessing F5s, and I recall, and correct me if I'm wrong, but the number we're talking about was about 12.

A That's right.

The purpose of it would be to defend Honduras. The Hondurans had [redacted] in their Army. It's a very small Army [redacted] They had always, in the past two decades, relied on air as their defense because they had this small Army and also because, if you look on the Nicaraguan border, or even on the border with the other countries around them, there are no roads out there. There is little population in that area, and it is very difficult to get up in there.

The Hondurans had initially tried to buy 155 artillery, in fact, they bought four artillery pieces in 1984, but [redacted] they still continued to rely on close air support and fighter bomber aircraft in small numbers to defend the country.

[redacted]

Now, we were trying -- we had been trying to develop the ground forces and mobile forces, to some degree, in Honduras, but that's a slow development. Because of their lack of development and because it definitely was possible that the Sandinistas would attack Honduras, I preferred to let the Hondurans counterattack with their air because that kept us out of the first parts of any kind of fight that the Hondurans would get into with Nicaragua.

That was basically my rationale. [redacted] I might have, as I looked for all the different ramifications of the F5s, I might have at some time said, "Giving F5s to Honduras also shows U.S. sustains support," and I do believe that it does. [redacted]

Q Just for the record, sir, looking at that same issue in the mirror image, do you know of [redacted]

A No. No, I don't.

First of all, I don't see how we could do that. You can't say that you're going to give F5s to Honduras because it's a congressional decision anyway. It has to go through Congress.

One of the things that I constantly told Regalado is that I support you on F5s, but I don't know if you're going to get them. This thing is going to have to go through the U.S. Congress. You need a fallback position and I, by the way, had one, which would be that we would work on helicopter support for them because if they didn't have F5s and they still had the border problems, we could perhaps with Huey helicopters substitute those and get people out to the border. We would look at gunships, that is, fixed-wing gunships as the AC47 to do that because I wasn't really sure until two weeks ago that we actually were going to get the F5s.

Q I suppose General Regalado wasn't fully sensitive to the problems in obtaining congressional approval for anything the Executive wants.

A Probably not [redacted]

MR. SABA: I don't have any further questions on Hunduras. You gentlemen might have some.

MR. SAXON. I have a couple.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

[redacted]

Q Did you communicate that at any point to Colonel North?

A No.

Q I'd like to show you what should be marked as Deposition Exhibit 3, a letter -- a memorandum for President Reagan from Admiral John Poindexter. This document, on its face, does not bear a date, but from the context, it would appear to be late 1985.

Let me give you a moment to read that, sir.

(The following document was marked as JG Exhibit 3 for identification.)

COMMITTEE INSERT

(Pause.)

THE WITNESS: Okay. By the way, this last part brings up this question it looks like we were talking about, depending on when the date was. It ties the ESF to pending internal economic reforms. That was my understanding, also, if the dates are right, that we're talking about, you know, was the ESF used as leverage. It was my understanding that it wasn't; it was used for internal -- pending internal economic reforms.

BY MR. SAXON:

Q General, what I'd like to, there are a couple of paragraphs I'd like to read to you, sir. The context of this document has to do with apparently Salvadoran and Honduran commitment to aiding the Nicaraguan resistance forces. Beginning in the background, it states, and I quote: "After the negative vote on military assistance in April 1985, the Honduran Government reacte[redacted] In El Salvador, President Duarte was s[redacted]y Severely criticized by his political left for supporting the U.S. proposal."

It continues: "Today's House vote against additional assistance to the Nicaraguan democratic resistance is liable to have the same effect unless steps are taken to reassure both presidents. [redacted]

[redacted]

Further down, it states: [redacted] A trip by a high-level delegation will help to reassure them and their military of our determination to succeed in aiding the resistance and in ensuring their security."

Under "Discussion," it states, "As a result of the National Security Planning Group meeting this afternoon, it was decided to dispatch Assistant Secretary Elliott Abrams, General Jack Galvin (USSOUTHCOM), and a team of specialists to the region. The visit by the team and the letters at Tabs A and B will assure the Governments of El Salvador and Honduras that regardless of today's vote, you, personally, and the Administration are determined that the Nicaraguan resistance will recieve the support they deserve. In Honduras, we are prepared to provide expedited and, if necessary, enhanced security assistance to deal with their border problem."

Let me ask you first, sir, did such a trip take place by you and Secretary Abrams?

A There was a trip, but I'm not sure it appears to be associated with this letter. I'm not sure. There was a trip that took place -- is that the March '86 -- are you talking about March '86?

Well, it's a trip that took place in March '86, right around Easter time, in which Elliott Abrams called me and asked me to meet him in Honduras, and I did. We had a meeting at the airfield on a Friday with General Regalado, President Azcona and several other people. Also, Elliott Abrams had brought along people from the Military Assistance, which is called DSAA, General Gast's office -- not General Gast, but Colonel Royer and others. We met and the purpose of that visit was to encourage the Hondurans that, indeed, although the Congress may have voted in a certain way on a certain bill, that didn't mean that the United States did not support its allies. We would continue sustained support for Honduras.

Q So in the memorandum where Admiral Poindexter writes, "In Honduras, we are prepared to provide expedited and, if necessary, enhanced security assistance to deal with their border problem," [redacted]

Is that a fair reading, sir?

A I probably would have said it a little bit differently, but that's a clear reading. I would have said it was to encourage the Hondurans of our sustained support. But yes, that's a fair reading, too.

LIEUTENANT COLONEL RANKIN: Sir, can I refresh your memory? I think this is the period when the Hondurans were -- the Nicaraguans were crossing the border at Easter time, and so the reference to the border is encouraging the Nicaraguans --

THE WITNESS: Yeah.

LIEUTENANT COLONEL RANKIN: -- and not [redacted]

THE WITNESS: Hondurans, throughout the period that we're talking about, constantly felt that -- the Hondurans that I dealt with constantly felt that they did not receive the kind of support they should from the United States that they were allies, they had a letter from President Reagan which he had given to President Suazo at a meeting in a portico of the White House saying "We are their allies and we will sustain support for you." They referred to this letter often and the general thrust was, we are out here on the front line. [redacted] We are threatened by the Sandinistas [redacted] and we don't get enough support from the United States.

At the time, if I'm correct, assuming now that this was the time of that meeting, because this thing doesn't have a date, but it looks like you're correct, this was the meeting mentioned in this piece of paper. At that time, the Sandinistas had about six batallions up on the border near Yamales, and they were threatening Honduras, and, in fact, two days later, they did attack into Honduras, as you recall.

They were threatening Honduras and a vote in the Congress -- I forget precisely what vote that was, but there had been a negative vote with reference to Honduras in the Congress, in the U.S. Congress. Elliott Abrams said something to me like, "We need to encourage the Hondurans. They are in bad shape over this vote and the threat on the border and I'd like you to meet me in Honduras. I want to offer them some encouragement."

At that meeting -- that's the way he talked -- he said -- it was Elliott Abrams who talked and we were all there to support the U.S. Government's position and Elliott Abrams said words to the effect that "We understand that you are doing a great deal [redacted] [redacted] in defense of your own country and we realize that you're threatened by the Sandinistas. We have supported you and you should have no worry about the fact that we recognize you as an ally and we will come to your assistance. We are prepared at this time to offer you additional support and we've brought some people along," and he pointed out Colonel Royer, and said, "We've brought some people along who will go over with you in detail some possibilities of support that we could offer you at this time."

That was the idea of the meeting.

Q And when, sir, would you date that meeting?

A That was at Easter of '86, and specifically, it was what --

LIEUTENANT COLONEL RANKIN: March 21st.

THE WITNESS: March 21st.

BY MR. SAXON:

Q Let me show you, and ask that this be marked as deposition exhibit 4, a cable from the NSC to the American Embassy in Tegucigalpa, San Salvador, and San Jose, and give you a moment to look at that. It is dated March '86.

A Okay.

(The following document was marked as JG Exhibit 4 for identification.)

COMMITTEE INSERT

(Pause.)

THE WITNESS: This was the trip.

BY MR. SAXON:

Q All right, sir. It indicates "The following is the revised itinerary for the Abrams/North trip." It lists the itinerary, and in numbered paragraph 3, it says "The traveling party consists of Abrams, North, [redacted] and Walker. Gen. Galvin will join the party in Tegucigalpa for the remainder of the trip."

A Uh-huh.

Q Does that appear to be the trip that you are referring to?

A Yes.

Q I only have one further question on this and it goes back to the issue of the F5s. Were you present, sir, in late 1986, and I believe the trip was in October, in which Colonel North -- excuse me, I don't know if Colonel North -- recall if he was on this trip, but Elliott Abrams, [redacted] Ray Burghardt, from the NSC, came down and made a swing through Central America, and particularly to Costa Rica and Honduras [redacted]

A I have taken several trips with that group. In fact, Abrams has always made it a point to include the Defense Department and to work for close coordination, so anytime Abrams made a trip to the area, he called me and said, "I'm going to be making this trip. I sure would like you to come along. Can you do that?" Anytime we had a meeting of ambassadors, he invited me.

I made a trip like that. I can't recall the exact date. I made a trip with those people. I remember going to Costa Rica and I think what happened is that I didn't go to all the countries because of some other conflicting schedule, or I did go to Costa Rica and we talked to Arias. It seems to me that it was shortly after President Arias was elected or was inaugurated.

Q Do you recall if you went on the Honduran leg of the trip?

A I'm not sure. I'm not sure.

Q The reason I asked, when the Washington contingent of that returned, [redacted] wrote a memorandum to Director Casey. This would have been in early December of 1986, in which he outlined the trip, indicated that it had been relatively successful, but that as these things go, the Costa Ricans and the Hondurans wanted something in return for their support of U.S. policy in the region,

[redacted]

The Hondurans specifically wanted aircraft, and they either wanted F5s or they wanted American financing to help them purchase Israeli equipment. In his memorandum to Director Casey, [redacted] indicated that he had checked with DOD and that the Pentagon was working the requirement on the F5s.

Is that something you would have any knowledge of, sir?

A I don't have any knowledge of those two requirements -- those two events -- requests by them. [redacted]

[redacted]

But the decisions that were made around the F5, the thrust of that whole thing was how do the Hondurans defend themselves? Are we going to try to take 10 years and build them better ground efforts so that they can do this, which would mean all kinds of logistics and fire support and training and so forth and we would -- and it would take a long time to do, or shall we go for a short-term fix, which would be to agree with them that they should continue to rely on their Air Force and we went for the short-term fix because we felt the short-term threat was really there.

Now, I won't say, though, that there wasn't some aspect in there of "Look what good guys we are for you; we're getting you the F5s. Now why don't you be more supportive yourselves?" That aspect was probably there. But what I'm saying about is from my own personal opinion anyway, that was not the main point. That could have been a peripheral point they made.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q General, I just have one last point before we leave Honduras and, just for the sake of the record, I have a document which we will mark as General Galvin Exhibit 5. It is a document generated by Mr. George at the CIA. It is marked "Secret." It is dated, apparently, 13 November 1985, and it indicates that a copy was provided to you.

I show this to you now and I am interested particularly in the last full sentence on the first page in item number 2, which states that [redacted]

(The following document was marked as JG Exhibit 5 for identification.)

COMMITTEE INSERT

BY MR. SABA:

Q I would ask you if, first, you received that document, if you recall receiving the document.

A No, I didn't receive this document.

Q Would you like an extra few minutes to read the document.

A Yes. But I can tell by looking at it that I didn't receive it. I've never read this before.

(Pause.)

MR. SAXON: General, you note that numbered paragraph 5 at the very end indicates who it's being made available to. The information.

THE WITNESS: The information.

MR. SAXON: Yes, sir.

BY MR. SABA:

Q Do you recall receiving the document?

A No, I didn't receive the document.

[redacted]

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[redacted]

MR. SABA: I have nothing further on Honduras, sir.

MR. KREUZER: Joe, I have some.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. KREUZER:

[redacted]

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EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q General, I apologize. I told you I was through with Honduras, but apparently I'm not.

One second.

MR. SABA: Off the record for a moment.

(Discussion off the record.)

MR. SABA: Back on the record.

BY MR. SAXON:

Q Let me then show you this exhibit on Honduras and ask that this be marked -- I believe it would be exhibit 6, and that's a copy for you, sir, and I'll give you a moment to read it.

(The following document was marked as JG Exhibit 6 for identification.)

COMMITTEE INSERT

(Pause.)

THE WITNESS: Okay.

BY MR. SAXON:

Q Sir, I'm not going to get into the matters in numbered paragraphs 2 through 4. I think we have a good understanding about what went on there, so I simply want to ask you if -- by the way, this is a cable from [redacted] [redacted] of the agency, and in April of 1986. Would I be correct in saying that the matter referenced in paragraph 1 is what we discussed earlier in which you made your recommendation to the Joint Chiefs that there should, perhaps, if the Congress were willing and the legal arrangements worked out, there should be [redacted]

A That's right.

Q -- and this is a further statement that the agency differed in that view?

A Yes.

Q All right, sir. That's all I have on Honduras.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Leaving Honduras, we journey south again to Costa Rica. Again, sir, I would ask that same opening question as to Costa Rica, which is was the MILGROUP commander with whom you dealt and what the relationship between you and him was.

A John Taylor was the MILGROUP commander for most of the period and my relationship with him was that I saw him about once a month. We had a fair amount of activity going on and so we got together and discussed it about once a month.

Q Did that generally involve you going to Costa Rica or his coming to you?

A Generally my going to Costa Rica.

Q What briefings, if any, did you provide -- I believe it was Lieutenant Colonel Taylor -- concerning the assistance that uniformed U.S. personnel might provide to the Nicaraguan resistance?

A I told Taylor on my first visit -- I recall that specific one -- that I wanted him to have absolutely no contact with the Nicaraguan resistance and that I would view it with great concern if he had any kind of involvement in that. [redacted]

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[redacted]

Q Did you become aware of support that Colonel Taylor was providing to aircraft providing assistance to the Nicaraguan resistance?

A No. In fact, to this day, I had concluded that

Taylor was not involved in that kind of thing. Taylor told me that he was not involved, that he had no knowledge of activities in support of the contras on this south flank.

Q Is it correct you had no knowledge, then, of any coordination by Taylor with Costa Rican airport personnel involving landing of aircraft in Costa Rica?

A I had no knowledge of that.

Q Did you have any knowledge of Taylor's or someone under Taylor's direction assisting in approximately May 1986 with a plane loaded with lethal equipment stuck in the mud in an airport in Costa Rica?

A No, I didn't know about that.

Q Did you have any information about Taylor's provision of assistance at an airport he and others referred to as Point West?

A I've never heard the reference "Point West."

Q This would be an airstrip [redacted] which was built at that time and it was used in assistance to the contras. Were you aware -- and it was sometimes called Hamilton's.

A I wasn't aware of it called Point West or Hamilton's, but I was aware that there was an airfield somewhere in there that was used by the contras.

Q How did you become aware of that airfield?

A I think I became aware of it -- let me see.

I'm not sure how I became aware of that. I might have -- no, I can't speculate. I'm not really sure how I got that information. I didn't get it in writing or something. Somebody mentioned it somewhere, and I remember that -- and this was -- it seems to me that I became aware of that -- I was going to say after the 100 million. I think I became aware of that after the 100 million time, so it would have been after October of '86.

Q All right, I'll get back to that chronologically, but just to follow my questions for the record, is it correct that you -- were you aware of any orders that Colonel Taylor gave to persons under his direction to service aircraft landing either at that airport or at San Jose International?

A No.

Q Did you receive any reports concerning [redacted]

A No.

Q Did you participate in any meetings, whether alone or with others, [redacted] concerning that airstrip?

A No, I didn't.

Q With President Arias?

A As I said, I went to that meeting with Arias that we mentioned earlier. I don't believe that that meeting had anything to do with the airstrip. I don't recall the airstrip being mentioned.

Q There was no conversation, then, and I'm looking at the period roughly May 1986 with President Arias concerning that airstrip [redacted]

A Not that I recall.

Q At approximately that period of time when I'm interested in, roughly the transition between President Monge and President Arias, do you recall if you knew of the airstrip at that point in time?

A Yes, I did. [redacted]

Q To refresh your recollection referring to the meeting in April of 1986 in attendance with Colonel North, newly elected President Alvarez and Ambassador Tambs, [redacted] Abrams, Burghardt and yourself, do you recall the airstrip question coming up at that meeting?

A I don't recall it coming up at that meeting, but I do recall that at the time of the change in presidents is when I became aware that there was an airstrip [redacted]

Q Do you recall who informed you about the airstrip?

A It seems to me that it was Ollie North, but I don't -- I can't really remember.

Q Would that have been in person at that time or would it have been by a memo?

A It would have been in person because he didn't write any memos, and I would see him, you know -- he didn't write me any memos.

MR. SAXON: I think you, sir, would be about the only person to whom he didn't write memos.

MR. SABA: That's why I smiled. He wrote memos to the world at large.

THE WITNESS: He didn't write me any. I think he may have told me. I seem to remember a discussion, either with Ollie or with Ambassador Tambs to the extent that there was an airstrip, that it was being used by benefactor aircraft [redacted]

BY MR. SABA:

Q What was the conclusion of that meeting?

A I'm not sure it was a meeting -- do you mean the meeting that you just went into with all those people?

Q With Colonel North, in terms of just providing you the information?

A I'm not sure there was any conclusion to it. I don't think that that information was provided directly to me. I might have been at a meeting where I heard that information. There was no -- we didn't have any connection at that airfield and so there was no, you know, there was no time that I was asked to do anything about it or anything like that, but somehow I became aware of it, I think because I was in the meeting, in a group where that airfield was discussed.

Then I asked something like, "Where is it," and I found that it was up -- you know, I found the location of it. I remember that that location happened to be one that was on my route of flight [redacted] so I could verify myself that, indeed, there was an airfield there that had been improved.

MR. SAXON: For the record, sir, this secret airstrip was also on the flight path of commercial aircraft going in that area?

THE WITNESS: Yeah, I would assume that's right.

BY MR. SABA:

Q Do you recall having discussions at this time -- and again, I'm referring to the time that President Arias was elected and we have a transition in the regime, being April-May 1986, with Ambassador Tambs about the airstrip?

A No, I don't recall a discussion with him about that. Really, with Ambassador Tambs primarily I talked about military assistance programs that we had going and I noticed that he was careful not to mention other things. I knew about this airfield, but he didn't bring it up or talk about it, or talk about any activities that had to do with the contras. And I just respected his silence on that point.

Q Do you recall a meeting with President Monge after the election but prior to the inauguration of President Arias in which the airstrip was discussed?

A No. I don't remember that that airstrip was discussed in my presence with President Monge or with President Arias.

It might have been, but I don't remember it.

Q You don't recall any discussion of that?

A No.

MR. KREUZER: Do you recall, perhaps, toward the end of President Monge's term in office, before President Arias was due to come in, that there might have been a meeting with some people from Washington, D.C., [redacted]

THE WITNESS: There was a meeting with Monge out at his ranch that I attended [redacted] Ambassador Tambs, and I think maybe Elliott Abrams was there for that.

I think that there was some -- [redacted]

BY MR. SABA:

Q Do you recall if the airstrip -- or any discussions about the airstrip came up in that meeting with --

A No, I don't recall that it did. I'm not sure that I have complete recall of that meeting, but I don't recall that it came up.

Q Moving forward in time and President Arias becomes president of Costa Rica, do you recall discussions with President Arias concerning the airstrip?

A I went to another meeting, this time at Arias' house in town, in San Jose, with basically the same group of people, and Arias -- and I don't think it would have come up there because there were quite a few people at that meeting, that is, on the Costa Rican side. There must have been half a dozen of the key Costa Rican Government figures there.

Q In the private meetings among the Americans who were there at the time, was there discussion of the airstrip?

A There must have been enough so that I knew the airstrip was there. I got that out of discussions, I think, at those private meetings that there was an airstrip and that we needed to try to have continuing use of it as the administration changed.

Q Do you recall in those discussions whether there was discussion of aid, whether economic or military, to Costa Rica linked to or in connection with that airstrip and the maintenance of the airstrip?

A I don't remember that being brought up that way.

Q Do you recall shortly afterward what decision President Arias made about the airstrip?

A Yes, he wanted the airstrip -- he wanted the use of the airstrip stopped and I think he made public the fact that the airstrip was there. He wanted it known that he did not support that; that the previous government did. But he did not.

Q Did he convey to you in advance of that decision what his decision would be?

A No.

Q Do you know if he conveyed in advance his decision to other members of the U.S. Government?

A I don't know that.

Q Following his decision concerning the airstrip, was there any further discussion as to the military assistance we would or would not provide to Costa Rica? Discussions among U.S. personnel?

A No, not that I can recall. We have done more in Costa Rica since that time than we did before. I mean, we've been building roads and bridges and exercising there, so there wasn't any discussion that I was in on that said we're going to cut back and I was never told to cut back on anything we were doing with Costa Rica.

Q Were you made aware of the details concerning the Americans or foreigners using the airstrip and the purposes of the airstrip?

A No. I was generally aware that benefactor aircraft were coming in there. That was my understanding of it. I think that it went into the period of the 100 million. I'm not really sure now.

Q The airstrip is closed down after Arias takes over, basically in May of '86.

A So it did not, yes.

Q Obviously, the period I'm most concerned with is early '86, moving into the transition and then the airstrip is closed down.

A Yes. What I was aware of is that benefactor aircraft, so-called, were flying in and out of there, and they were supporting the southern front that way.

Q During this period -- let's go back to the March trip, March 1986, and subsequent trip in April of 1986, I believe you had on both occasions discussions with Mr. Abrams.

A Yes.

Q Did the airstrip come up in the context of those discussions?

A Not that I recall, no.

Q Or with Colonel North?

A No. I think those discussions came up in Costa Rica at the meetings we had there.

Q And in Costa Rica, were these discussions between you and these gentlemen together or singularly?

A I think they were discussions that had to do with myself, Tambs, North -- he visited there once or twice when I was there and possibly [redacted] I'm not sure about him, but I think so.

Q Did you have any private conversations with Colonel North on the subject?

A He may have mentioned -- you know, normally what I tried to do was see North, either prior to or after RIG meetings or see him in his office a few times -- I saw him there -- to generally find out what he was doing or what the NSC was doing in my area, or in the area I like to consider mine.

Those were basically coordination meetings, and he may have mentioned -- because I have recall of hearing of the airfield more than once, hearing of the airfield several times. It would be mentioned, "We're using the airfield for resupply."

Throughout that time, my understanding was legitimate resupply based on benefactor-type activities.

[redacted]

Q When you referred to "We're using the airstrip for resupply," do you mean "we" in the sense of the

Department of Defense or is that "we" in the sense of Ollie's reference to the United States or some other "we"?

A "We" in the sense of civilian benefactors who are helping out. My understanding of Ollie's activities was that he was the go-between and the coordinator of assistance, U.S. and other foreign assistance to the contras that was being done by other countries or by U.S. people who had money they wanted to put in that direction.

Q Did he at any time during your command ask you in your capacity as CINC SOUTHCOM to provide support assistance or anything to that benefactor?

A No, he didn't.

Q I want to turn for a moment to one more Costa Rica matter, but do either of you have any questions?

MR. SAXON: I have a few, yes.

MR. SABA: Why don't you go ahead for a moment.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q Let me continue on the airstrip, General.

You indicated a moment ago that you were aware that the private benefactor network was using that airstrip in support of the southern front. Do I understand you correctly?

A Yes.

Q And would your understanding have extended to the fact that their cargo included lethal supplies?

A No, I didn't know what cargo they had.

Q Did you ever discuss the use of that airstrip with Lieutenant Colonel Taylor?

A I don't believe so.

Q Did you ever discuss the use of the airstrip with Army Major Francisco Alvarez?

A No, I don't think so.

Q Do you recall if he ever told you of efforts that he had engaged in, either by himself or with a Sergeant Sánchez at the request of Lieutenant Colonel Taylor to aid the private supply operations at that airstrip?

A No. He never told me anything about that.

Q Did you ever discuss that airstrip with [redacted]

A I never discussed the airstrip. I might have been at -- I might have heard it in a discussion where he was present.

Q Did anyone ever tell you in one of those discussions or did you hear reference to the fact that the CIA directed the contruction and paid for the construction of that airstrip?

A No, I didn't know that.

Q Did you ever have occasion to discuss the existence of the airstrip and/or the private benefactor in that war with Mr. Armitage at the Department of Defense?

A No, I didn't.

Q With Secretary Abrams?

A I don't think so, no.

Q Were you aware of --

MR. SABA: I have another one. Secretary Noel Koch [redacted]k?

THE WITNESS: No, no.

BY MR. SAXON:

Q Were you aware of the effort by Colonel North in the spring of '86 -- I don't have the document in front of me, so I don't have the precise date, for which I apologize, but there was an effort by Colonel North which he conveyed to Admiral Poindexter in the memorandum to concoct a cover story about the use of that airstrip, its construction, its funding, et cetera, should the press find out about its existence and its usage.

Is that something which you would have any knowledge about?

A No, I didn't know about the cover story.

Q And I take it, then, that you would not have any knowledge as to whether Colonel North was correct when he asserts in this memorandum that he cleared this cover story regarding the airstrip with [redacted] Secretary Abrams, and Secretary Armitage?

A I hadn't heard about that.

Q In your discussions with Colonel North about his activities in being the go-between, the coordinating point for contra resupply efforts, did he ever tell you about the involvement of General Secord, Albert Hakim, Richard Gadd, any of the players whose names have come out in recent weeks and months?

A No. He mentioned -- now and then, he mentioned General Singlaub. He might mention something about Singlaub's activities, but he didn't mention Secord or those others and I didn't know they were involved in this.

Q While this doesn't relate directly to Costa Rica, it flows from the previous question, did he ever mention to you, sir, that in any way, money to support the contras would be coming from arms sales to Iran?

A No, he didn't.

Q Finally, on Costa Rica, did Ambassador Tambs ever tell you directly or did you hear from anyone else in the embassy there or in the MILGROUP that Ambassador Tambs had indicated to them that his mission in being sent to Costa Rica was to open a southern front?

A No, no.

MR. SAXON: That's all I have right now.

MR. KREUZER: I have --

MR. SABA: I'll get back to you, but I have -- he covered some of my questions and I just want to follow on with one question for the record.

As you have noticed, we have mentioned that several military personnel assigned to the MILGROUP may have been involved in support provided to aircraft landing in Costa Rica.

You have indicated that you didn't have knowledge of that support, nor had you issued any order with respect to that support, and I believe it was your testimony -- correct me if I'm wrong -- that you had specifically on assuming command cautioned Colonel Taylor that he was to avoid such support.

THE WITNESS: That's right.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Assuming that such support, in fact, took place, could you explain how it would occur that members of the military might be so engaged in the absence of a set of orders in the usual chain of military command?

A First of all, that's a very small military group. There are only a couple of people there.

Second, as I said, when you look at the organization of the military group, as I mentioned early in this discussion, there is a dual chain of command in that

I have responsibility when it comes to the military expertise that those officers are providing to the Country Team, but they work for the ambassador. They are there at his convenience. He can say, "I don't want this officer anymore," or "I want to extend him," and normally, although I would have some say in that, I would support whatever the ambassador would like to do.

I think that possibly the reason why some of that information -- or the reason for those activities, if there is a good reason -- there is no good reason, by the way, but there is -- one can come to some conclusions and that is that those are isolated officers who have intermittent contact with me and my headquarters and who are -- who feel that they are working for, in this case, Colonel Taylor who is working for Ambassador Tambs.

But I still can't account for any -- I can't give you a good reason why they would take an order from Taylor, for example, or why Taylor would take directions that he didn't think were correct; that is, legal.

Q But it would be fair to say, I suppose, that if he was not acting on direction of his military superiors, it is presumed that he was given direction elsewhere in the embassy --

A Either that or he was acting under his own volition.

MR. SAXON: Sir, you've said that he would have had two bosses in the military chain of command, you and directly the ambassador.

THE WITNESS: Uh-huh.

MR. SAXON: Is it possible that he could have had a third boss, [redacted]

THE WITNESS: The answer to that is no. I mean, he knows that he's -- any MILGROUP commanders knows he is not working for [redacted] He's working for the ambassador. He's equal to [redacted] in that sense.

MR. SAXON: If Colonel Taylor did something at the direction or request of [redacted] [redacted] would it be your assumption that that would be something that he either expressly cleared with Ambassador Tambs or knew that Ambassador Tambs gave his approval?

THE WITNESS: Yes.

MR. SABA: I have no further questions on Costa Rica.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. KREUZER:

Q Sir, Lieutenant Colonel Taylor -- did you ever -- how frequently did you see Lieutenant Colonel Taylor?

A Oh, about once a month or sometimes it went once every two months.

Q Did he ever discuss with you or did you ever discover or know that he may have been having contacts with arms dealers?

A No. He never discussed that with me and I didn't know anything about that.

I did, as I say, reinforce with Taylor what I had told him initially, as I did with the other MILGROUP commanders, and that is, remember that you are not in a position where you can help the contras because we military can't be involved in that.

MR. KREUZER: Okay. Thank you, sir.

MR. SABA: We are certainly more than two-thirds through this deposition, but if someone would like a break, we can take a 5-minute break.

LIEUTENANT COLONEL RANKIN: I'd like to -- we don't need to take a break, but I'd like to at least call an independent counsel with whom we're supposed to meet afterwards and advise him --

MR. SABA: I would like a 5-minute break.

(Recess.)

MR. SABA: Back on the record.

Unless there are further questions about Costa Rica, we'll move up the coast to El Salvador.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q General, I begin again in El Salvador with the same initial question, which was do you recall who the MILGROUP commander was and how did you relate to him and what were those circumstances?

A The MILGROUP commander was Colonel Jim Steele, and I related to him primarily through visits that I made to El Salvador, which were about once every two weeks. Plus visits that he made to my headquarters which were about once a month or perhaps once every six weeks.

Q What was the nature of the relationship between SOUTHCOM and the MILGROUP in El Salvador? What occasioned these relatively frequent visits?

A Well, of course, I was the commander of Steele, as was the ambassador also. We've discussed that. The war in El Salvador was my primary -- my top priority, and Jim had a very important job with 55 people there trying to influence the outcome of the war.

Q What was the nature of the military assistance we provided during this period of El Salvador?

A We were providing in terms of funding, we were providing something over $100 million a year, and we had 55 people in the country who were administering that funding and were providing advice and assistance tactically, on the tactical level to the Salvadoran Armed Forces.

Q Could you tell us a little bit more about what the nature of that tactical assistance involved?

A Well, it involved everything from national planning at the national level of the integration of the military forces into the national effort to defeat the insurgency down to individual and collective training at the training centers and a tactical training and advice at the brigade level. There were six brigades. And assistance at the high-staff level in San Salvador.

Q At the brigade level, would this have involved the use of U.S. Special Forces?

A Some of the training, mobile training teams which were sent to El Salvador at various times to provide training were Special Forces.

Q Do you recall if there were Special Forces at Ilopango?

A There were no Special Forces stationed at Ilopango. There might -- there is a Salvadoran airborne battalion stationed there and there are other Salvadoran units which are like Special Forces units stationed there. So at different times, there might have been small teams of Special Forces, U.S. Special Forces, training the Salvadorans.

Q Would it be fair to say that our -- that those individuals would have reasonably accurate knowledge of military events in their districts?

A Yes.

Q Would it be reasonable to presume that they would have knowledge of military movements and placement of significant equipment?

A When you say "they," you mean Special Forces people or all of --

Q Yes. No, the mobile training units.

A They might, they might, but remember, they would come and go. They were not stationed there. They would come and go. They might stay a week or two or maybe even a month.

Q I direct the same question, then, to the next level up, which would be did their superior officers?

A The people who were stationed there on a permanent basis would -- and if the individual's job took him out to a place, say at Ilopango, he would know what was going on at Ilopango. He would know if aircraft came in and out and other activities unless they were very closely covert activities. I assume he would know.

Q Were you aware of a warehouse [redacted]

A I was aware of a warehouse or warehouses [redacted]

[redacted]

Q Were any reports generated [redacted] as to the warehouse and the material contained in the warehouse?

A No, that I know of.

Q How did you become aware of the warehouse?

A I talked to members of the military group, and they told me about it.

Q Do you recall to whom you spoke?

A I think it was Jim Steele.

Q And he informed you about this warehouse?

A He informed me that there was a warehouse [redacted]

Q By any chance, would you have had an occasion to speak to Master Sergeant Hazelwood?

A No, not about this.

Q What did Colonel Steele tell you about the warehouse?

A Colonel Steele told me the warehouse existed. He said that this CIA representative -- not CIA representative, but the --

MR. SAXON: Felix Rodriguez.

THE WITNESS: Felix Rodriguez.

MR. SABA: Also known as Max Gomez.

THE WITNESS: Also known as Max Gomez, knew about it [redacted] That's what Jim told me.

BY MR. SABA:

Q What did you come to understand of the role of Felix Rodriguez?

A Well, I saw Felix Rodriguez when he first came in and his role was to assist in what were called [redacted] operations. [redacted] a high-ranking guerrilla leader, was picked up in one of these strikes.

Max Gomez would go on those strikes. He would assist the Salvadoran Air Force in those operations. My impression also was that Max Gomez liked to get into other things, too. I mean, he seemed to be a very active, very dedicated person. [redacted]

Q Did you come to know that he provided assistance as well to the contras?

A I don't know whether I did come to know that specifically or not. I'm not surprised that he did. My impression of Felix Gomez was that if he provided assistance to the contras, it was definitely some -- it was an add-on to the main thing that he was doing, which was this training in tactical operations.

Q Do you know if any members of the MILGROUP provided any assistance to Max Gomez in his activities relating to the contras or the resupply effort?

A No, I did not know that. I heard recently about providing Max Gomez with an automobile. I had not heard that until maybe a couple of weeks ago.

Q Apart from what you may have heard a couple of weeks ago or in the press in connection with the current hearings, did Colonel Steele or anyone else from your MILGROUP in El Salvador inform you that -- of activities in support of the contras?

A No. Colonel Steele was in a very difficult position in which I felt he was. He had to be out at Ilopango all the time; he had to be working with the Armed Forces there; he was the military man in charge there of military activities, and therefore, [redacted] I worried about Steele and so I talked to him fairly often, saying, "Don't have anything to do with this [redacted] If things are going on [redacted] stay away from it."

I, several times, discussed this with him, saying words to that effect.

Q Referring back to Exhibit 4, which was simply a schedule of an itinerary of these individuals, you will note that one stop, though apparently a relatively brief one, was at Ilopango. Do you recall the purpose for stopping there and what transpired?

A Right now, I don't, no.

That was the trip in which the basis of the trip -- if I'm not mistaken, wasn't that the trip to encourage --

Q This was the March 1986 trip and it shows a stop -- and presumably -- the aircraft left Tegucigalpa and went to Ilopango, and according to the exhibit, you joined the party at Tegucigalpa and, therefore, would have accompanied them to Ilopango where the party appears to have remained for several hours.

A I'm not sure that I did accompany them to Ilopango. What happened on this was that I had taken leave and so I came -- I was at the beach with my family and I came up to Tegucigalpa, but I was also, although I wanted to respond to Elliott Abrams' request, I was also kind of anxious to get back to Panama. I'm not sure I went over here. I think I might have come up in my own aircraft, and then just turned around and flown back.

Q When you refer to "up," you mean Tegucigalpa?

A To Tegucigalpa, that's right.

Q So you do not recall having accompanied the party to Ilopango?

A No, I don't. I my may have accompanied them, but I don't recall anything about that.

Q Do you recall why the party went to Ilopango?

A This was a visit to the area to encourage the leadership in Honduras and El Salvador -- encourage them about the nature of -- the sustained nature of our support. I believe the Poindexter memo is associated with this visit?

Q That's correct, sir.

A And what Admiral Poindexter says there is correct, as I understood the visit. It was to provide encouragement.

Q Who would have been at Ilopango to encourage?

A It would have landed at Ilopango in order to go to see President Duarte, I assume.

Q Yet they went on to San Jose, Costa Rica. There is no other stop at El Salvador, so your understanding was that they were going to see the president at Ilopango.

A I think so. Let me look at this again. It went "Arrive Ilopango at 1305 and depart Ilopango at 1530," so that's simply the airfield at San Salvador and President Duarte, of course, has his office there in San Salvador, and I assume that what this was was a visit to see him.

Q Generally, are you familiar with a piece of equipment called a KL-43?

A I think it's a piece of secure equipment.

Q Do you have one for your use?

A I don't call it a KL-43. I had different ways of securing a telephone.

Q It's a TRW-manufactured -- sometimes referred to as a TRW.

A No, I don't have that particular piece.

Q Were you aware that Max Gomez had one available to him?

A No.

Q Were you aware that Colonel Steele made use of the machine for particular secure transmissions?

A No.

[redacted]

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PAGE 104

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[redacted]

A You know, there was a question -- there's a question in my mind as to whether it was [redacted] activity or North's activity. You remember that -- and I think this occurred at about the time that there was a transfer over. In other words, it was more close to, it seems to me, close to the time when the Boland Amendment was going to go out and the hundred million was coming in because I remember that there was a question about who's running what. This is a North [redacted] question.

Q Would it help to recall if Mr. McFarlane or Mr. Poindexter was the National Security Adviser, that taking place at the end -- the transition being at the end of '85?

A It seems to me that Poindexter was there then.

[redacted]

Q Was it your understanding from your conversations with [redacted] and North that they were causing this assistance to take place; that is, if you were asking why this is going on and when will it end, the implication is that the person to whom you're directing your inquiry has some direction and control in that.

A Well, my understanding was that they had connections with the people who were doing this and that they could make it stop. I really didn't think that Ollie North was running an operation. I thought he was monitoring an operation.

I didn't think that -- I'm convinced that [redacted] [redacted] wasn't running an operation that was illegal, so that's why I think the dates must have been after the Boland Amendment part because really [redacted] wasn't into that kind of effort prior to the Boland Amendment. [redacted] was always involved in bringing up the task force that was going to support the State Department in their efforts.

So I don't want to imply that [redacted] was doing something wrong there, I think, because I don't think he was. My knowledge now is that [redacted] was not. So, whether I mentioned it to him simply because he could influence -- or he could mention it to North or something else like that, I don't know.

I don't believe we're talking about something where [redacted] was running an operation at the time when you couldn't do that.

[redacted]

A Well, at that time frame, I must have spoken to North about it, and not [redacted] because --

Q Excuse me, this would've been October '86 in looking for a calendar period.

LIEUTENANT COLONEL RANKIN: I think I can help you clarify that.

THE WITNESS: Yes.

LIEUTENANT COLONEL RANKIN: I think it was in the February '86 time frame that you -- that Steele made you aware of this and then you brought that to the attention of [redacted] and Ollie.

THE WITNESS: But I'm trying to think of why would [redacted] -- why would I --

LIEUTENANT COLONEL RANKIN: That was at the time of the humanitarian assistance --

THE WITNESS: Okay, maybe that's what it was. I was trying to figure out why I would tell [redacted] because I do remember talking to [redacted] he would know something about that. [redacted]

[redacted]

BY MR. SABA:

Q I understand that, sir, but apart from the humanitarian assistance, there's a suggestion here that it was understood that [redacted] and North, together or separately, had the ability to direct or stop, at the least, the flow of materials, including lethal materials [redacted] and we're looking at the period of the first six months of 1986.

A Well, those were the only contacts that I had who would know anything about this. I wasn't sure that they could do anything about it. But I mentioned it to both of them, saying, in effect, "If you can make this stop, you should take a look at doing that."

But I didn't have anybody else to go to. I didn't know any other contact.

Q Just so we're clear on the record, my understanding, then, is that you went to [redacted] and Mr. North in an effort to suggest that the assistance [redacted] [redacted] be halted [redacted]

A Yes.

MR. SABA: All right, I'd like to stop for a moment. Do you --

MR. SAXON: On El Salvador?

MR. SABA: On El Salvador.

Why don't you go ahead.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q General, let me go back to the [redacted] warehouse and ask you what you knew about its construction. Was it already there when Colonel Steele informed you about it?

A My impression is -- yes, it was already there when he told me.

Q Did anyone tell you, Colonel Steele or otherwise, about who constructed it or had it constructed and who paid for it?

A No.

Q Did Colonel Steele ever tell you that he rendered any assistance in its construction?

A No.

Q Do you know, or did you ever have any dealings with a Lieutenant Colonel Rankin, Air Force, not Lieutenant Colonel Rankin here today --

A Yes.

Q [redacted]

A

Q Do you know him, sir?

A Yes.

Q Did he ever tell you anything about this warehouse?

A No.

Q I would take it, then, you would not know whether he had any involvement in aiding the construction of that warehouse?

A I wouldn't, no.

Q Let me ask you a couple of questions about Colonel Steele. Did he ever indicate to you that he was aiding in any way the private benefactor resupply network?

A No. In fact, I told him to make sure he didn't.

Q To your knowledge, did he ever provide any tactical information, weather information or anything else about locations of landing zones or anything that would have assisted the air drops in the southern front?

A Not that I know of?

Q As far as you know, did Lieutenant Colonel Ranking aid the private supply network in any way?

A Not that I know of.

Q Let me ask you about Felix Rodriguez through the median of Colonel Steele. Did you and Colonel Steele ever talk about Felix Rodriguez or Max Gomez?

A Yes.

Q Did Colonel Steele ever tell you that Felix Rodriguez was aiding the southern front?

A No.

Q Did he ever tell you that that's the reason why Felix Rodriguez was sent to El Salvador?

A No. In fact, he told me that the reason Felix Rodriguez was sent was to work the [redacted] operations.

Q Did he ever refer to Felix Rodriguez as the United States Government's no-pay mercenary?

A No.

Q Did he ever tell you that he had been assigned the task of monitoring the activities of Felix Rodriguez in assisting the southern front?

A No.

Q Let me ask you some questions directly about Mr. Rodriguez.

Did you ever talk to him yourself?

A Yes.

Q And did he ever tell you he was engaged in any activities to aid the southern front, specifically the contras operating there?

A No.

Q Did you ever talk about Felix Rodriguez with General Gorman?

A No.

Q Would you have any knowledge that General Gorman was instrumental in having Felix Rodriguez brought to El Salvador?

A No.

Q Do you have any knowledge that General Gorman provided a plane to fly Felix Rodriguez from Panama to El Salvador for his initial meetings [redacted]

A No.

Q What about any cable traffic initiated by General Gorman to Ambassador Pickering or from Ambassador Pickering to General Gorman about Felix Rodriguez.

A I didn't see any.

Q Would you have any knowledge of the fact that General Gorman assigned or asked Colonel Steele to monitor the activities of Felix Rodriguez with regard to

Mr. Rodriguez aiding the contras?

A No.

[redacted]

Q Final question that I have with regard to El Salvador, were you aware of any efforts by Master Sergeant Hazelwood to participate in mobile training teams that would travel throughout Central America and providing training to the contras?

A No. No. Hazelwood was a trainer of the Civil Defense and that's what I thought he did all the time.

MR. KREUZER: I have a couple.

EXAMINATION ON BFHALF OF THE HOUSE SELECT COMMITTEE

BY MR. KREUZER:

Q Sir, across town, I believe, is the national military headquarters in El Salvador, and General Blandon is the commander in chief --

A That's right.

Q Did you know him?

A Yes.

Q Did you have any discussions ever at all with him about contra support or status or anything like that?

A No.

Q Colonel George Maynes works, I believe, in that headquarters.

A Yes.

Q He's the U.S. --

A He's the attache.

Q Attache. Did he ever have any discussions with you --

A No.

Q -- about --

A Not about the contras.

Q And there's a Lieutenant Luis Rodriguez, I believe, who was also there.

A Not with him either.

Q No discussion.

A No.

MR. KREUZER: Okay, thank you.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q General, I have an exhibit which I think is appropriate in continuing this El Salvador matter. I believe it will be General Galvin Exhibit 7, and, sir, take a few moments to review it.

(The following document was marked as JG Exhibit 7 for identification.)

COMMITTEE INSERT

(Pause.)

MR. SABA: For the record, the exhibit is a memorandum. It is classified "Secret." It is for John Poindexter from Oliver North, and is dated January 15, 1986. It indicates as its subject a meeting with General Jack Galvin, USSOUTHCOM.

It is a one-page memorandum.

(Pause.)

MR. SABA: First, sir, I'd ask you if you are familiar with the meeting that is referenced, Thursday, January 16, 10:30 a.m.?

THE WITNESS: Yes.

BY MR. SABA:

Q Sir, directing your attention to the first paragraph of this memorandum, do you provide this information as to your recommendations on plans for effective support to the democratic resistance forces in Nicaragua?

A I think that this was about the same time that we were in a discussion with the JCS on what should be the military support. This is the thing we talked about earlier.

You know my views on that. The meeting with Admiral Poindexter was -- I believe this was the first meeting that I had with him, of a total of about two or three meetings. Poindexter, if I'm not mistaken, was fairly new at that time -- wasn't that the time that he came in?

Q Essentially correct.

A And I wanted to find out what his views were and what the NSC's views were with reference to different things in Central America, but especially with reference to Nicaragua. How did the NSC view Nicaragua?

Since I had been discussing earlier this question of how do you support the contras, if you are allowed to do military support, and I had also discussed that with North and I think with Abrams and with [redacted] I can see that Ollie would put that in there, but I don't believe we actually even discussed that matter because, first of all, I was presenting that to the JCS so I wouldn't take something that I hadn't gotten an answer from the JCS on and take it up with the NSC, although I might have touched on it. I might have said something like, "It would be better to support this with military -- with a military organization, rather than the CIA." This represents --

Q If I can, sir, in arranging for this meeting, there is an implication in this first paragraph that you had a prior discussion with Colonel North as to what those specific recommendations might be. Did you have such a discussion?

A I think that I told North that I'd like to meet with Poindexter. In fact, I'm sure that I told North that I'd like to meet with Poindexter simply to make the contact so that I would know him. I didn't know John Poindexter up to that point.

But also, I had discussed, although I don't think it was connected with this meeting, I had discussed with North or he had discussed with me -- we had discussed what would be the way the military could support the contras if the military were told to do so.

As I say, I may have -- and I was drifting into this second paragraph, if you don't want to --

Q Please, go ahead.

A Well, I may have mentioned this to Poindexter, but it wasn't the purpose of the meeting. The purpose of the meeting was for me to talk to Poindexter about Nicaragua and how did the NSC see the different facets of this question of Nicaragua. That's what I did discuss with him. I remember saying that I wanted to check out with him my impression of where the NSC was coming from and see if I had it right.

Q What did he tell you?

A He said, "Yes, you do have it right." [redacted]

[redacted]

I said, "Thank you. That's what I really wanted to know."

Q Did you ask him what they do intend to do?

A No, I didn't. You know, I felt that I knew that if they didn't intend that -- and I really, this was just sort of clearing the air, I felt that I needed to hear from those guys on that question because I was the military man down in the region and I didn't want things to be going on that I didn't know about.

If anybody was really thinking about something like that, I needed to know it. And he said -- and I said, "I don't believe you are thinking that way at all," and he said, "You're absolutely right; we are not thinking that way."

Q Was there any discussion with Admiral Poindexter concerning the private support that was going on at the time?

A No. Not that I remember. But this --

A With Colonel North?

A No. This memo is, to me, kind of a typical North memo in which it implies that a whole lot more is going to happen than was really intended to happen in there.

[redacted]

Q How would you be able to form a judgment as to whether this is a typical North memo if you told us earlier you never got a memo from Ollie North?

A I won't say it's a typical North memo; that's probably semantics are not right. I haven't read any of North's earlier memos, but it was typical of Colonel North in that there was always a tendency, as I saw it, to somewhat exaggerate what was going to be discussed or said. There was a certain element of exaggeration which came out often.

Q Do you believe that Colonel North was attributing perhaps to you or to General Gorman in paragraph 2 views that may have been his own?

A I think so. I don't -- for example, I don't know that Gorman was an active -- I know Gorman very well, and I don't know that he was an active proponent for a greater role for the Special Forces. Gorman never mentioned any of that to me, anyway, and Gorman and I have been in close contact for years. I feel that among the military people, I know him quite well and it doesn't really sound like him.

Q Did North express to you his dissatisfaction with the ability of the agency to produce a coherent military strategy?

A I think that there was always a question that North felt that the agency couldn't do this job very well, and I tended to agree with North, but then I felt that that got blown out of proportion and I think it is here. In other words, I felt that -- I didn't feel strongly that the agency could not do the job. I felt the agency could do the job, providing they had the right people, and -- but I felt that the military could do it better.

I think that that got exaggerated, too.

[redacted]

A [redacted]

[redacted]

MR. SAXON: Were there any discussions that you were party to on this topic that would have involved Master Sergeant Hazelwood?

THE WITNESS: No.

MR. SAXON: Were you aware of any discussions that would have had him going to Costa Rica and working for Ambassador Tambs on missions arranged or directed by Colonel North?

THE WITNESS: Ambassador Tambs once asked me for help in getting Hazelwood to, when he finished his tour in El Salvador, to come and work for him in Costa Rica.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q Did he say what he wanted Hazelwood to do for him?

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A He did, and as I recall it now, it was in training of the Royal Guard at Morcielego, which is where we had a training base and we were training at that time Royal Guard. But I'm not really sure of that. What I am sure of is that he said -- he asked me to use my good offices to see if I could get Hazelwood to come over there and I said, "Does Hazelwood really want to do that; he's already spent all this time in El Salvador. I should think he'd want to transfer back to his unit again in the States," and he said, "No, I've discussed it with Hazelwood and he would like to do it."

So I said, "All right, I'll see what I can do."

Q Did the ambassador specifically have a recollection of where he might be assigned in Costa Rica?

A I don't remember now whether we discussed it. I think we did, but I can't remember, but it was something routine. In other words, it was work with the Royal Guard or do something. It wasn't something to do with the contras.

[redacted]

Q General Galvin, returning to the exhibit and the final paragraph of the exhibit, which ~~beings~~ begins "Finally," looking at the second sentence -- second and third sentence, it indicates that "General Galvin is cognizant of the activit underway in both Costa Rica and at [redacted] in support of the DRF." And it goes on to state that "General Galvin is enthusiastic about both endeavors."

Would you characterize those sentences as correct or not?

A I would characterize them as semantically correct in the sense that I was cognizant. It depends on what he means, of course.

. Let me answer it this way. North had told me about the airfield and had discussed other matters, [redacted] But I don't know that I was or am today cognizant of all the activities that were going on. But I did know about those.

Q Was this a conversation just prior to the meeting with North?

A I think it probably was.

Q Do you recall the conversation; what North told you about the airfield; his involvement with them?

A I remember at one point that North said something like, "Well, we finally have the airfield," but this was in a conversation, I think, in San Jose, where North said, "We finally have the airfield operational," or something like that. "There had been some problem with a contractor and now we will be able to get supplies to the southern front."

Again, I thought that what we were talking about was benefactor supplies, so I probably was enthusiastic. I am an enthusiastic supporter of the contras in the sense that I think they can win.

Q Did he convey to you that these supplies would include lethal equipment?

A No. No.

Q Did he indicate to you who would be actually bringing in these supplies?

A No.

Q You indicated that earlier that you were not really enthusiastic about [redacted]

A That's right.

Q Did you convey that to Colonel North --

A Yes.

Q -- because he seems to indicate that, in fact, you were enthusiastic about [redacted]

A That's right, he does. But in fact, I was the opposite.

Q He refers in his last sentence to going to Costa Rica with you after the meeting, which occurred January 16th. Did he accompany you back to Costa Rica after that meeting with Admiral Poindexter?

A There was a -- I think that that was the same date. Ollie North took a vacation; he took leave, and took his wife and was traveling to -- or wanted to get a flight, as I understood it, anyplace where he could get out on a beach and relax for a while. So I said to him, "Why don't you come to Panama? I fly back and forth about three times -- about once every three weeks. I could at least get you in one direction if you went out and signed up because you can go out and sign up for space available and fly on an airplane, and my airplane, because of the times it leaves and everything, is never full. I always take everybody that's available, but it's never full."

So, I said, "Why don't you fly down to Panama?" He said, "I'll think about it," and then later, he said, "I don't want to fly to Panama, but Ambassador Tambs has asked me to come down and stay with him." He was friendly with Ambassador Tambs and so I flew him down to Panama. I couldn't stop in Costa Rica. I flew him down to Panama and then he got an airplane ride from Panama -- he got a civilian airplane, you know, an airlines, and flew up to San Jose.

MR. SAXON: Do you know about when that would have been, sir?

THE WITNESS: I think it was this date that we're talking about here. It must have been right after this because he's saying, "I will be flying with General Galvin to Costa Rica after the meeting and will return Tuesday morning."

This was -- he went down just for a few days; not a long time. He went down for, you know, three or four days' vacation.

BY MR. SABA:

Q He accompanied you, then, on the return flight to Panama following the meeting with Admiral Poindexter?

A I think it was that flight back; yes.

Q Do you recall your conversations with him on that flight to Panama concerning the meeting that the memo discusses?

A No, I don't recall that. I'm sure we talked all the way down, but I don't recall something about that.

Q Did you make any memorandum of your conversations with Colonel North?

A No.

Q Did he ask you whether Admiral -- was he present in the meeting?

A He was present at this meeting.

Q He was present at the meeting --

A Yes.

Q -- with Admiral Poindexter.

Did he express any opinion as to how the meeting had gone?

A I don't recall that he did.

Q On the return flight, did he discuss the activities [redacted] or, in particular, Felix Rodriguez?

A I have no -- I have no recall specifically of what we talked about on that flight.

MR. SAXON: Did he mention anything that was going on elsewhere in the world, such as Iran?

THE WITNESS: You mean on that flight?

MR. SAXON: In that time period that we were -- was there any opening to Iran; we were thinking of shipping arms to Iran?

THE WITNESS: No. Ollie talked to me about things -- and you know, I would see him sometimes and he would say, "I'm going to be making a flight to England. I've got to work the hostage problem." I knew he was working the hostage problem in the Middle East and I was astounded, in fact, to find that the same guy who would be working the benefactor problem in Central America would be working the hostage problem in the Middle East, and a couple of times, I said, "I can't believe the kinds of things they've got you doing. How do you work this and then go over and work the hostage problem in the Middle East?"

He said, "Well, I do."

I was surprised by a lot of things, but I was definitely surprised by that.

MR. SAXON: But did Iran ever come up?

THE WITNESS: No, he didn't ever bring up Iran. When he said "England," [redacted] And he, a couple of times, said, "I think that I am going to be able to get some hostages freed in the Middle East."

BY MR. SABA:

Q Did he discuss with you in this time period, or at any other time period, but I think it might well have been in this time period, obtaining HAWK missiles?

A No.

Q Did the conversation of HAWKS or TOWs arise on that airplane trip or in this period of time?

A No. He mentioned several times to me Project Democracy, which I understood was this loose tie-in -- I understood it as a loose umbrella organization for people who wanted to support the contras. And he would say to me, "I'm working an issue today in Project Democracy," or something like that.

MR. SABA: I have nothing further on El Salvador. I do have a few questions on Panama.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q Just to follow on this point and make sure that we've covered this issue, at any point, did Colonel North ever ask you, as an Army officer, about TOW missiles; what they cost; what the pricing of them would be; anything like that?

A No, no.

Q Did he ever indicate what we might be providing to anyone else to get some of those hostages back?

A No.

MR. SAXON: Okay, that's all, Joe.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Moving on to Panama, General, I have a few questions.

[redacted]

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[redacted]

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Do you know why, or by what authority, North would exclude you from knowledge [redacted]

A No, I don't know precisely why. North excluded me from a lot of things that were going on in my region. The purpose of myknowing North and going to see North was to find out what's going on in Central America because I am the guy militarily responsible through the U.S. Government for whatever happens or fails to happen in Central America from a military point of view.

That's why I went to see North; that's why I went to [redacted] all the other people. But North didn't tell me the things I needed to know.

[redacted]

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[redacted]

Q Sir, do you have any knowledge of involvement by the government or the Armed Forces of Panama in any way with the resupply effort for the contras?

A No.

MR. SABA: I don't have further questions on Panama. I have a few standard questions that we ask, but you may have some.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

[redacted]

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BY MR. SABA:

Q General, I have a few questions of a nongeographica nature. Do you know of a Ron Martin?

A No.

Q Do you know of any weapons warehouse maintained [redacted] by a man called Ron Martin?

A No. I know of a place [redacted] called the Supermarket.

Q What do you know of the Supermarket?

A The Supermarket, as -- I have never been there or seen it, but I understand that a lot of weapons came in from somewhere overseas [redacted] and were stored in a place called the Supermarket, [redacted] in which somebody thought they were going to make some money by reselling these weapons to the contras.

The reason I've -- and I've heard often mention of the Supermarket around the embassy [redacted] because the ambassador has been directed, and has been adamant that nothing out of the Supermarket will be paid for by the United States. That's where I keep hearing the term.

Q Did you hear that those weapons, in fact, were intended for the contras and were seized [redacted]

A I'm not really sure of the details on it.

Q Did you have any knowledge of, or hear talk of price-gouging on the weapons in which the private suppliers were selling to the --

A Yes, I did.

Q What did you learn of that?

A I heard that the private suppliers [redacted] were getting some kind of a cut out of selling the weapons to -- or the ammunition or whatever else to the contras and were charging them for trucking the weapons [redacted]

That's what I -- conversation to that effect, that there was price-gouging going on.

Q Do you recall who you would have heard that information from?

A It was around the Country Team in the embassy [redacted] And the point was always, "We're not going to let this happen; we're not going to be involved in it. We will not be supportive of this in any way."

Q Was there any indication that the middlemen involved, the suppliers, were making large profits on the sales?

A Yes.

Q What was the nature of that talk?

A Well, just what you're saying is about what I know about it, that the talk was that middlemen had made or were trying to make large profits on it.

Q By any chance, I may have asked you this, had you met General Singlaub?

A I have met him, but only just to say hello. Singlaub has never discussed anything with me.

Q So you've not had any discussions with or heard anything from General Singlaub concerning the price of these weapons?

A No.

Q Do you know, or have you met, Adolfo Calero?

A No.

Q Arturo Cruz?

A No.

Q Alfonso Robelo Corlejas?

A Robelo, I think I met just once, you know, walking by and someone introduced me and I said hello, but I don't really -- the three men, I don't know at all.

Q And Eden Pastora?

A No.

Q What about Don Gregg?

A No.

Q You haven't met Mr. Gregg?

A I don't think so.

MR. SABA: I'd like to review my notes a moment. Do you have some further questions?

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EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q Let me run through a few things.

Were you made aware at any point an outfit called CMA, which stood for Civilian Military Assistance, and later Civilian Materiel Assistance operating out of the south, headed bv a gentleman named Tom Posey, which was attempting to provide arms through the private supply operation for the contras?

A I've heard references to it, but that's really -- about what you've said is about what I know.

Q You never met Mr. Posey?

A No.

Q For the record, I'd like to run through a number of names and ask if you were ever asked or instructed by any of these people to be involved in any way in assisting the facilitating the private supply or private benefactor network.

First, President Reagan?

A No.

Q Mr. McFarlane, when he was the National Security Advisor?

A No.

Q Admiral Poindexter?

A No.

Q Colonel North?

A No.

Q Ray Burghardt?

A No.

Q Elliott Abrams?

A No.

Q Admiral Crowe?

A No.

Q General Wickham?

A No.

Q Secretary Weinberger?

A No.

Q Secretary Armitage?

A No.

Q Nestor Sanchez?

A No.

Q General Powell? Colin Powell?

A No.

Q Director Casey?

A No.

Q [redacted]

A No.

Q Of those people I've named, can you recall who you transmitted any information upward to with regard to the airstrip in Costa Rica, the private supply operations in [redacted] or any of the things you told us you got knowledge of one way or the other?

A No. I didn't make reports about the benefactor flights or any of that. I knew it was going on. I assumed that everybody in the U.S. Government knew it was going on, and I didn't make any reports about it.

Q Did you ever have occasion to discuss any of those topics with Nestor Sanchez before he retired from the Pentagon?

A I saw a lot of Nestor Sanchez and I'm sure that we touched on those topics because I made contact with him almost every time I came back to the Pentagon and he visited the region often. In terms of anything substantive, I don't remember anything substantive about it, except that we always exchanged information. We coordinated back and forth.

Q Is it reasonable to assume that if you had been made aware of the airstrip or the operations [redacted] or any of the other matters that you've told us about this morning that you might have passed that on to Mr. Sanchez?

A I might have. I might have.

Q But you don't specifically recall having done so in those cases?

A No.

Q I've got a couple more documents to enter in, Joe, if you want to go ahead and do that.

MR. SABA: Why don't you go ahead.

I also have some documents, but I think that they're going to be, in that case, identical, so why don't you go ahead.

MR. SAXON: Okay.

BY MR. SAXON:

Q General, do you recall a visit to Central America in late 1985 right after Admiral Poindexter had become the National Security Advisor?

A No.

MR. SAXON: I want to introduce several documents pertaining to that trip. The first one, which would be marked as deposition exhibit 9 is a memorandum for Admiral Poindexter from Colonel North, dated December 6, 1985.

(The following document was marked as JG Exhibit 9 for identification.)

COMMITTEE INSERT

(Pause.)

MR. SAXON: Have you had a chance to read it yet, sir?

THE WITNESS: Yes.

BY MR. SAXON:

Q I specifically want to direct your attention to approximately the first third of this single paragraph, and that is in which Colonel North is talking about an upcoming trip by Admiral Poindexter to Central America.

The third sentence and fourth sentence and I guess the fifth sentence is of interest, and that is, and I quote: "The trip wd be "billed" as a quick tour through the region to confer w/ top ranking U.S. officials to reinforce the continuity of U.S. policy in the region. In each location you wd meet w/ the U.S. Ambassador and be accompanied by Gen Jack Galvin, the senior U.S. Military Representative.

[redacted]

[redacted]

MR. SAXON: That's all that I have.

THE WITNESS: Okay.

MR. SABA: General, that's all that I have and on behalf of the House Committee, and I believe the Senate Committee, as well, we wish to thank you for coming here today in what we know is a tight schedule. You came here voluntarily and it is a Saturday and we appreciate your taking the time. We appreciate your candor and your assistance in this investigation.

MR. SAXON: If I can simply say for the Senate,

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[redacted]

Q Let me have you look at a second document in the same time period that purports to relate to the same visit, and have that marked as deposition exhibit 10.

(The following document was marked as JG Exhibit 10 for identification.)

COMMITTEE INSERT

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(Pause.)

THE WITNESS: Okay. I think that -- I think that this is the same visit because I don't remember two visits, and I think that what I have here is the plan for the visit, which wasn't entirely followed.

[redacted] My impression was that Poindexter flew down -- I know for sure that Poindexter flew down. He spent one night; in fact, he stayed with me. We had a discussion. He arrived late in the afternoon; we had a discussion that evening about what he was going to say the following day. I gave him my two cents' worth. He asked me to accompany him. I went down there and then he left and went back.

BY MR. SAXON:

Q All right, sir, let me ask you a couple of questions based on this document.

This is a series of memoranda from Colonel North to Admiral Poindexter in relation to a trip which is being discussed or proposed that Admiral Poindexter make. If you will look three pages into the document, you'll see a memorandum from Colonel North to Admiral Poindexter that's dated December 2nd, 1985.

In the first paragraph, he says, second sentence, "The itinerary and substance of your meetings have been discussed with State," and he mentions Ambassador Walker, "and SOUTHCOM (General Galvin)."

Sir, if you will flip further over to a document bearing the number N 31906, Colonel North likewise says, "Based on discussions with Walker at State and General Galvin, the following detailed itinerary has been proposed for Panama:" and he lists the itinerary.

The page I'm particularly interested in is the next, and that is the N 31907, for what it's worth, that's the Senate Select Committee numbering of documents received from the National Security Council. You can see we've received a few.

And Colonel North discusses the current situation and objectives for Honduras and states in the first paragraph, and I quote: [redacted]

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[redacted]

I want to ask you a couple of questions about these paragraphs, again recognizing that we can't expect you to know everything Colonel North writes to Admiral Poindexter or expect you to agree with it, but the reason I ask these questions, he says that this itinerary, the need for the trip and so forth, has been coordinated with State and Ambassador Walker and in terms of SOUTHCOM with you, sir.

[redacted]

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TOP SECRET

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Pages 156, 157, 158, and 159

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[redacted]

BY MR. SAXON:

Q General, let me ask you about one more reference in this particular exhibit, deposition exhibit 10. If you'll look further over, you'll see a memorandum dated December 10, 1985, to Admiral Poindexter from Colonel North.

A Uh-huh.

Q And it bears the subject "Cable to posts advising of your trip to the Central American Region."

The first sentence of the memo says, "The cable attached at Tab I has been coordinated directly to Elliott

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Abrams, Amb. John Ferch, and General Galvin."

If you would then look at the proposed cable --

A Uh-huh.

Q -- flipping to what I believe is the next-to-last page, N 31912, halfway down the page, under the itinerary and purposes of the meetings, et cetera, at 1330 to 1530, it says, "Mtg at Palmerola w/Amb Ferch [redacted] Gen Galvin at CTF Bravo. [redacted]

Sir, as far as you know, was this part of the cable coordinated with you by Colonel North?

A I don't remember the cable, but I remember the point that comes out through here that this was to be billed as interest in the area and so forth. So I would say this cable did come to me, but I don't remember it specifically.

Q I don't know, sir, that this cable was ever even sent. What I'm saying is it was proposed by North to Poindexter, saying, "Here is what we would send," and he says, "He's coordinating the content of it with you."

A Yes.

Q If you would look down at the entry to the log on that same page for the meetings at 1715 to 1820, "Mtg at La Aurora AB Guatemala City w/Amb Piedra, Gen Galvin, [redacted]

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~~TOP SECRET~~

POLCONS, and remainder of U.S. team; wd like to meet briefly [redacted]

As far as you know, was this portion of the cable discussed and coordinated with you?

A I don't think so. [redacted]

BY MR. SAXON:

Q Sir, my final document -- and I would ask that this be marked as deposition exhibit 11. That's a copy for you to read and one for the reporter.

(The following document was marked as JG Exhibit 11 for identification.)

COMMITTEE INSERT

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BY MR. SAXON:

Q It is a memorandum for Admiral Poindexter from Colonel North, dated September 26, 1986, and the subject is "Meeting with General Jack Galvin, USSOUTHCOM." I'll give you a moment to read that, sir.

(Pause.)

THE WITNESS: Okay.

BY MR. SAXON:

Q Sir, if you would direct your attention to the paragraph at the bottom of page 1 under Contra Program -- I should say, by the way, that in the second sentence of the beginning of the memo, Colonel North, in discussing this scheduled meeting between you and Admiral Poindexter says, "GEN Galvin wants to raise with you several issues of immediate concern:" -- first is El Salvador funding, and then the contra program.

[redacted]

Let me ask you first, sir, if that's correct and what you can tell us about that.

A Yes, that's correct in what it says, that after the -- after I made my statement about how I felt the military should run the thing, then we all waited to see how it was going to come out.

By September, it was clear that in no way was the military, U.S. military, going to run this, and so at some time in there, August, September, maybe earlier than that, maybe July, I went to the JCS and talked to the Defense Department [redacted]

This was initially brought up and you saw it in a memorandum that we discussed earlier today by [redacted] He -- at one point, I told [redacted] I said -- because we always dealt aboveboard on all these things and I said, [redacted] and I outlined the position.

He said, "Well, that's your position."

Later, he said to me, "What you say is to some degree true, [redacted]

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[redacted] In terms of SOUTHCOM being aware of what the contras were doing and carefully following the intelligence and so forth, that was in the loop. But in terms of our supporting them in any way, we were not supporting them.

As you know now, to some degree, we are. In other words, the same intelligence that I'm getting out of the cage down at SOUTHCOM is going over to Langley and so forth. [redacted]

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I concur, and you allowed us to throw our questions at you for well over four hours. We appreciate that very much. We wish you well in Europe.

THE WITNESS: Okay. It's a pleasure to come and see you.

MR. SABA: Good luck, sir.

(Whereupon, at 1:15 p.m., the deposition was concluded.)

Exhibits JG-1, JG-1A to JG-1I

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10 Pages

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Exhibit JG-2

1 Page

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Partially Declassified/Released on July 8, 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

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NO DATE

2302

THE WHITE HOUSE

WASHINGTON

N 6694

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER

SUBJECT: Special Mission and Letters to the Presidents of El Salvador and Honduras

Issue

How best to reassure Presidents Napoleon Duarte of El Salvador and Jose Azcona of Honduras of our resolve and commitment.

Background

After the negative vote on military assistance in April 1985, the Honduran Government reacted [redacted] In El Salvador, President Duarte was severely criticized by his political left for supporting the U.S. proposal.

Today's House vote against additional assistance to the Nicaraguan democratic resistance is liable to have the same effect, unless steps are taken to reassure both Presidents. [redacted] A trip by a high-level delegation will help to reassure them (and their military) of our determination to succeed in aiding the resistance and in ensuring their security. Letters to both Presidents (Tabs A and B) address specific concerns raised in discussions with our embassies this afternoon.

Discussion

As a result of the National Security Planning Group meeting this afternoon, it was decided to dispatch Assistant Secretary Elliott Abrams, General Jack Galvin (USSOUTHCOM), and a team of specialist to the region. The visit by the team and the letters at Tabs A and B will assure the Governments of El Salvador and

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BFD 12
N.S.

Honduras that regardless of today's vote, you, personally, and the Administration are determined that the Nicaraguan resistance will receive the support their deserve. In Honduras, we are prepared to provide expedited and, if necessary, enhanced security assistance to deal with their border problem. We are also prepared to release a portion of the $100M in Honduran ESF which has been withheld pending internal economic reforms. The visit to El Salvador and your letter to President Duarte are more symbolic but, nonetheless, essential.

Recommendation

OK No

_____ _____ That you sign the letters at Tabs A and B.

Prepared by:
Oliver L. North

[redacted]

Attachments
Tab A - Letter to Duarte
Tab B - Letter to Azcona

[redacted]

Exhibit JG-4

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3/21/86

Ex 4 21 MAR 86

NATIONAL SECURITY COUNCIL
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TO AMEMBASSY TEGUCIGALPA
AMEMBASSY SAN SALVADOR
AMEMBASSY SAN JOSE

INFO SECSTATE WASH DC

S E C R E T EXDIS WH01538

EXDIS
SUBJECT:  PRESIDENTIAL MISSION

REF.  STATE 7244

1    SECRET) - ENTIRE TEXT

2  THE FOLLOWING IS THE REVISED ITINERARY FOR THE ABRAMS/NORTH
TRIP.  CHANGES WERE MADE BASED ON PHONE CALLS THROUGHOUT THE
REGION

(ALL TIMES LOCAL)

0730      DEPART ANDREWS AFB

1030      ARRIVE TEGUCIGALPA, HONDURAS

1230      DEPART TEGUCIGALPA

1325      ARRIVE ILOPONGO, EL SALVADOR

1530      DEPART ILOPONGO

1645      ARRIVE SAN JOSE, COSTA RICA

1815      DEPART SAN JOSE

0145      ARRIVE ANDREWS AFB

3  THE TRAVELING PARTY CONSISTS OF ABRAMS, NORTH, [redacted] AND
WALKER.  GEN. GALVIN WILL JOIN THE PARTY IN TEGUCIGALPA FOR THE
REMAINDER OF THE TRIP.

DECL:  OADR
BT
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Partially Declassified/Released on 30 Jul 1987
under provisions of E.O. 12356
by S. Reger, National Security Council

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BKD, 12-12-86
FBI
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SECRET

[redacted]

Exhibit
JC-5

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[redacted]

EXHIBIT [redacted]46

3699

MEMORANDUM FOR: The Director of Intelligence and Research
Director, Defense Intelligence Agency
Director, National Security Agency
Special Assistant to the President for
National Security Affairs
National Security Council

SUBJECT: Nicaragua: Plans for Improvement of UNO/FDN Aerial Resupply Capability

THIS IS AN INFORMATION REPORT, NOT FINALLY EVALUATED INTELLIGENCE

[redacted]

1. The following information was received [redacted]

2. As of early November 1985, the Unified Nicaraguan Opposition/Nicaraguan Democratic Force (UNO/FDN) was still working on plans to improve its ability to resupply UNO/FDN units operating inside Nicaragua. UNO/FDN had been expecting the arrival in October of two C-7A Caribou aircraft to fill this requirement, but problems in obtaining the two aircraft have delayed their arrival indefinitely. (Headquarters Comment: [redacted] dated 1 October [redacted], provided information on the planned acquisition of the C-7A aircraft.) Working through private supporters in the United States, UNO/FDN has obtained a similar contract for the rental of two C-123 "Provider" transport aircraft and crews, which are expected to arrive [redacted] in November [redacted] The contract calls for the two aircraft to

DECL: OADR DRV HUM 4-82 BY [redacted] ALL PORTIONS/CARRY CLASSIFICATION AND CONTROLS OF OVERALL DOCUMENT.

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1 Apr 87
HSC + SSC

UNO/FDN

[redacted]

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[redacted]

fly a combined total of [redacted] hours per month for a duration of six months. The contractor will supply pilots, crews, and mechanics; normal maintenance will be performed outside [redacted]. The two C-123 aircraft will be stationed [redacted] The six-month contract cost US$450,000.

3. As was the case with the C-7A aircraft, the pilots and crews may be U.S. citizens, but if so, they will not be identified as such. They, and all other personnel associated with the project, will be confined [redacted] or to any other remote airfield where they may operate. UNO/FDN has in stock two night vision devices which will be issued to the C-123 pilots for their night-time missions.

4. [redacted] Comment: Finding a way to resupply its units deep inside Nicaragua remains a top UNO/FDN priority, and the delay in the arrival of the C-7A's was a setback. The C-123 "Provider" is an even better aircraft for the job at hand, and the [redacted] hours contracted for should go a long way toward solving the resupply problem. At present, UNO/FDN is contracting on a sporadic basis a civilian DC-6 [redacted] to make night drops to UNO/FDN units in Nicaragua at a cost of US$15,000 per flight. This aircraft does not have the most up-to-date navigational equipment, nor does its crew appear to have much experience in aerial resupply operations. The standard C-123 "Provider" can carry about 8,000 pounds of cargo and fly at a normal speed of 200 miles per hour.)

5. This information is being made available to the U.S. Ambassadors [redacted] and to the Commander in Chief, U.S. Southern Command. No further distribution is being made.

[redacted]

Clair E. George
Deputy Director for Operations

[redacted]

A

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7 68

1 Apr 87
HSC/SSC

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[redacted]

SUBJECT: Nicaragua: Plans for Improvement of UNO/FDN Aerial Resupply Capability

[redacted] (13 November 1985)

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1 - DCI
1 - DDCI
1 - NIO/LA
1 - D/DDI
1 [redacted]
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1 - DDO REGISTRY
1 - [redacted]
1 -
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2 -
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5 - [redacted]
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Based On: [redacted]

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Date 1 May 87
HSC & SSC

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Exhibit JC.-6

1 Page

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

GALVIN EX. #7

ACTION January 15, 1986 307

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

H 30632

SUBJECT: Meeting with General Jack Galvin, USSOUTCHOM

You are scheduled to meet with General Jack Galvin on Thursday, January 16 from 10:30-11:00 a.m. General Galvin has some specific recommendations on future plans for more effective support to the Democratic Resistance Forces (DRF) in Nicaragua. In this regard, Elliott Abrahms advised today that Senator Dole is drafting a bill which will provide overt military support for the DRF. He reportedly has Senators Lugar, Bumpers, and Boren as co-sponsors and Senator Sam Nunn is considering whether or not to "sign-on."

General Gorman was and is an active proponent of a greater role for the Special Forces in training/advising both the Salvadoran military the DRF. General Galvin shares this belief. Both remain convinced that the CIA lacks the military expertise necessary to adequately train and advise the DRF in an appropriate strategy or even the proper tactics. Their concern is not unfounded. To this date, the CIA has been unable to produce a coherent military strategy, the tactics to support such a strategy, or to adequately train the force to accomplish either. Admittedly, some of the problem is because of our "on again-off again" Congressional restrictions. But, no small part of the problem is a lack of expertise in the paramilitary side of the CIA operations direcorate.

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under provisions of E.O. 12356
by K. Johnson, National Security Council

[redacted]

Finally, General Galvin has asked that you agree to periodic (about once a month) meetings with you to discuss sensitive issues. You should be aware that General Galvin is cognizant of the activities underway in both Costa Rica and at [redacted] in support of the DRF. General Galvin is enthusiastic about both endeavors. I will be flying with General Galvin to Costa Rica after the meeting with a return Tuesday morning.

RECOMMENDATION

That you review the points above prior to your meeting.

5282

Approve ______ Disapprove ______

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Exhibit JG-8

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Exhibit JG-9

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THE WHITE HOUSE

WASHINGTON

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December 6, 1985

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER NORTH

SUBJECT: PRIVATE BLANK CHECK

Re yr trip to Central America IAW yr instructions, Elliott Abrhams was approached re his views on yr travelling thru CENTAM next week. Elliot has responded that he believes such a trip to both necessary and urgent. The trip wd be "billed" as a quick tour through the region to confer w/ top ranking U.S. officials to reinforce the continuity of U.S. policy in the region. In each location you wd meet w/ the U.S. Ambassador and be accompanied by Gen Jack Galvin, the senior U.S. Military Representative. This approach will provide a plausible cover for delivering the messages we need sent [redacted], both of whom will want to congratulate you on your new post. Since you are making a "whirlwind" trip to the region to see U.S. officials, not host governments (we do need to commit to such a visit at some date in the future -- after the installation of the newly elected governments in Costa Rica, Honduras, and Guatemala in January) it will make sense that you do not see heads of state or political leaders on this visit. After the trip we wd background that the purpose of your first "secret" trip was to meet privately w/ U.S. Officials re the steadfastness of the President's policy, that even though our approach was very closely identified w/ RCM, yr ascendency connotes no change and that the region was so important that you went there first and will return at a later date to meet w/ the new democratically elected leaders. Elliott shares the belief that this will have a saluatory effect on our friends in the region, the Congress and our adversaries for this to "come out" after you return. Privately, it will help to ensure that those engaged in the process back here recognize your stature as the new National Security Advisor. In short it helps all around.

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under provisions of E.O. 12356
by B. Reger, National Security Council

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— Exhibit #10
Armitage
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Aplowitz

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NATIONAL SECURITY COUNCIL
WASHINGTON D.C. 20506

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December 10, 1985

ACTION

N 31899

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Trip to the Central America Region

Attached at Tab I is a NSC Staff Travel Authorization Sheet for a proposed trip to the Central American region headed by VADM Poindexter on December 11-12, 1985.

Participants:

VADM John M. Poindexter	LTCOL Oliver North
Asst Sec of State Elliott Abrams	G. Philip Hughes
Dep Asst Sec of State William Walker	
Mr. [redacted]	

General Itinerary:

Depart	6:30 p.m., Wed, Dec 11	Andrews AFB
Arrive	11:00 p.m.	Howard AFB, Panama (Remain Overnight)
Depart	9:00 a.m., Thurs, Dec 12	Howard AFB, Panama
	(save one hour enroute - change of time zone)	
Arrive	9:00 a.m.	San Jose, Costa Rica
Depart	10:30 a.m.	San Jose, Costa Rica
Arrive	11:40 a.m.	Ilopongo AB, El Salvador
Depart	1:00 p.m.	Ilopongo AB, El Salvador
Arrive	1:30 p.m.	Palmerola AB, Honduras
Depart	3:30 p.m.	Palmerola AB, Honduras
Arrive	5:15 p.m.	La Aurora AB, Guatemala Cit
	(gain one hour enroute - change of time zone)	
Depart	6:30 p.m.	La Aurora AB, Guatemala Cit
Arrive	12:00 midnight	Andrews AFB

NSC will defray expenses for North and Hughes' travel. Travel will by military aircraft. Trip has been verbally approved by Poindexte:

3149

RECOMMENDATION

That you authorize Rick Benner to cut the appropriate travel orders for both North and Hughes.

Approve _____ Disapprove _____

OLAA-08-6045
ADG 4/16

Attachment
Tab I - NSC Staff Travel Authorization Sheet

cc; Phil Hughes

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Declassify: OADR

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under provisions of E.O. 12356
by [illegible], National Security Council

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DATE: [illegible]

1. TRAVELER'S NAME: [illegible] North and G. Philip Hughes

2. PURPOSE(S), EVENT(S), DATE(S): To accompany VADM Poindexter on brief, low-profile trip to Central American region to confer with top ranking U.S. officials and to reinforce the continuity of U.S. policy in the region. (see cover memo for itinerary)

N 31900

3. ITINERARY (Please Attach Copy of Proposed Itinerary): see cover

DEPARTURE DATE Wed, Dec 11 RETURN DATE Thurs, Dec 12

TIME 6:30 p.m. TIME 12:00 midnight

4. MODE OF TRANSPORTATION:

GOV AIR XX COMMERCIAL AIR ___ POV ___ RAIL ___ OTHER ___

5. ESTIMATED EXPENSES:

TRANSPORTATION ___ PER DIEM XX OTHER ___ TOTAL TRIP COST ___

6. WHO PAYS EXPENSES: NSC XX OTHER ___

7. IF NOT NSC, DESCRIBE SOURCE AND ARRANGEMENTS: N/A

8. WILL FAMILY MEMBER ACCOMPANY YOU: YES ___ NO XX

9. IF SO, WHO PAYS FOR FAMILY MEMBER (If Travel Not Paid by Traveler Describe Source and Arrangements): N/A

10. TRAVEL ADVANCE REQUESTED: $ 0.00

11. REMARKS (Use This Space to Indicate Any Additional Items You Woul Like to Appear on Your Travel Orders):

12. TRAVELER'S SIGNATURE: Fawn Hall for

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

SYSTEM II
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~~Honduras~~
Central America

December 2, 1985

~~SECRET~~

ACTION

N 31901

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Trip to Panama and Honduras

Based on your guidance, arrangements have been made for you to meet with [redacted] [redacted] (Dec 5). The itinerary and substance of your meetings have been discussed with State (DASS Bill Walker) and SOUTHCOM (General Galvin).

Attached at Tab I is a NSC Staff Travel Authorization Sheet for a proposed trip to Panama and Honduras on December 4-5, 1985.

Participants:
ADM John M. Poindexter
Mr. Richard Armitage
Mr. William Walker
Mr. [redacted]
LTCOL Oliver North
Mr. Raymond Burghardt

General Itinerary (details at Tabs III and IV):

Depart	2:30 p.m., Wed, Dec 4	Andrews AFB
Arrive	7:35 p.m.	Howard AFB, Panama (Remain Overnight)
Depart	9:00 a.m., Thurs, Dec 5	Howard AFB, Panama
Arrive	9:50 a.m.	Palmerola AB, Honduras
Depart	2:00 p.m., Thurs, Dec 5	Palmerola AB, Honduras
Arrive	7:10 p.m.	Andrews AFB

NSC will defray expenses for North and Burghardt's travel.

Attached at Tab II is a memo from you to Don Regan requesting a Special Air Mission (SAM) support for this trip.

Tabs III and IV provide an overview of the situation and the objectives we hope to achieve in Panama and Honduras, respectively. Detailed talking points for your use during the trip will be provided separately.

State (Walker), Defense (Armitage), CIA [redacted] and Ray Burghardt concur.

Not available

Partially Declassified/Released on 3 July 87
under provisions of [illegible]
by B. Reger, [illegible]

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N 31902

RECOMMENDATIONS

1. That you authorize Rick Benner to cut the appropriate travel orders for North and Burghardt.

Approve _____ Disapprove _____

2. That you initial and forward the memo at Tab II to Don Regan requesting SAM support for the trip.

Approve _____ Disapprove _____

3. That you review Tabs III and IV prior to the trip.

Approve _____ Disapprove _____

cc: Rick Benner (w/o Tabs II, III, and IV)

Attachments

Tab I - NSC Staff Travel Authorization Sheet
Tab II - Poindexter Memo to Regan
Tab III - Current Situation and our Objectives for Panama
Tab IV - Current Situation and our Objectives for Honduras

UNCLASSIFIED SECRET

[redacted]

DATE: Dec 2, 1985

1. TRAVELER'S NAME: UNCLASSIFIED [illegible] urghardt

2. PURPOSE(S), EVENT(S), DATE(S): For official meetings in Panama and Honduras December 4-5, 1985.

N 31905

3. ITINERARY (Please Attach Copy of Proposed Itinerary): see memo

SYSTEM II 9

DEPARTURE DATE Wed, Dec 4 RETURN DATE Thurs, Dec 5

TIME 2:30 p.m. TIME 7:10 p.m.

4. MODE OF TRANSPORTATION:

GOV AIR XX COMMERCIAL AIR __ POV __ RAIL __ OTHER __

5. ESTIMATED EXPENSES:

TRANSPORTATION __ PER DIEM XX OTHER __ TOTAL TRIP COST ($126.00 per diem for $252.00

6. WHO PAYS EXPENSES: NSC XX OTHER __

7. IF NOT NSC, DESCRIBE SOURCE AND ARRANGEMENTS: N/A

8. WILL FAMILY MEMBER ACCOMPANY YOU: YES __ NO XX

9. IF SO, WHO PAYS FOR FAMILY MEMBER (If Travel Not Paid by Traveler, Describe Source and Arrangements): N/A

10. TRAVEL ADVANCE REQUESTED: $ 0.00

11. REMARKS (Use This Space to Indicate Any Additional Items You Would Like to Appear on Your Travel Orders):

12. TRAVELER'S SIGNATURE: Fawn Hall for

13. APPROVALS:

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THE WHITE HOUSE
WASHINGTON

SYSTEM II
91229

~~CONFIDENTIAL~~

N 31904

MEMORANDUM FOR DONALD T. REGAN

FROM: JOHN M. POINDEXTER

SUBJECT: Special Air Mission (SAM) Support

It is requested that a SAM C-20 aircraft be provided for a proposed trip to Panama and Honduras on December 4-5, 1985. The purpose of the trip is to review the current situation in Central America with key government officials in these two countries. The itinerary for the trip is indicated below:

Proposed Itinerary:

Depart	2:30 p.m., Wed, Dec 4	Andrews AFB
Arrive	7:35 p.m.	Howard AFB, Panama (Remain Overnight)
Depart	9:00 a.m., Thurs, Dec 5	Howard AFB, Panama
Arrive	9:50 a.m.	Palmerola AB, Honduras
Depart	2:00 p.m., Thurs, Dec 5	Palmerola AB, Honduras
Arrive	7:10 p.m.	Andrews AFB

cc: The Honorable Richard P. Riley
Assistant to the President and
Director of Special Support Services

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under provisions of E.O. 12356
by B. Reger, National Security Council

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N 31905

ONE page withdrawn

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Based on discussions with Walker at State and General Galvin, the following detailed itineary has been proposed for Panama:

Wednesday, December 4, 1985:

1935:	Arrive Howard AFB, Panama; proceed to USAF Hdqtrs
1940 - 2010:	30 minute briefing w/General Galvin at USAF Hdqtrs
2010 - 2030:	Proceed via USSOUTHCOM auto to SOUTHCOM Hdqtrs [redacted] [redacted]
2030 - 2100:	[redacted] attendees: Poindexter, Galvin, Walker
2115 - 2200:	Recap briefing at CG, USSOUTHCOM residence w/U.S. team and General Galvin
2200 - morn:	Poindexter RON at Qtrs 1 w/General Galvin; remainder of U.S. team RON at Casa Carribe

Thursday, December 5, 1985

0700 - 0730:	Breakfast (Qtrs 1 and Casa Carribe)
0730 - 0745:	Proceed to USSOUTHCOM Op Ctr
0745 - 0845:	USSOUTHCOM regional security briefing
0845 -0900:	Proceed to Howard AFB, Panama
0905 - 0950:	Enroute to Honduras via C-20

Released on 30 July 87
E.O. 12356
Security Council

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[redacted]

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CURRENT SITUATION/OBJECTIVES FOR HONDURAS

[redacted]

Thursday, December 5, 1985

0950: Arrive Palmerola Air Base, Honduras (save one hour enroute -- 1 hour and 50 minute flight)

1000 - 1215: Discussions with [redacted] attendees: Poindexter, U.S. team, and Amb Ferch

1215 - 1315: Working lunch at CTF Bravo (U.S. military exercise hdqtrs)

1315 - 1400: Options:

A - [redacted]

B - Country team briefing by AmEmb Tegucigalpa

1400 - 1910: Enroute from Palmerola Air Base to Andrews AFB

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NATIONAL SECURITY COUNCIL
WASHINGTON D.C. 20506

SYSTEM II
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N 31903

Central America

December 10, 1985

~~SECRET~~

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Cable to Posts Advising of Your Trip to the Central America Region

The cable attached at Tab I has been coordinated directly with Elliott Abrams, Amb John Ferch, and General Galvin. Please note once we arrive in Panama aboard C-20 we will be using General Galvin's C-9 in-theater. This will allow sufficient rest for your aircrew and provide more space for traveling team in-theater. Paul Thompson has coordinated aircraft support and exchange of aircraft.

RECOMMENDATION

That you authorize dispatch of the cable at Tab I (Op Immed via [redacted] channel).

Approve _____ Disapprove _____

Attachment
Tab I - Poindexter Cable to Central American Posts

cc: Paul Thompson
Philip Hughes

Partially Declassified/Released on 30 July 87
under provisions of E.O. 12356
by B. Reger, National Security Council

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~~Declassify: OADR~~

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~~SECRET~~ UNCLASSIFIED

FM: WHITE HOUSE

N 31909

TO: AM EMB PANAMA CITY, PANAMA
AM EMB SAN JOSE, COSTA RICA
AM EMB SAN SALVADOR, EL SALVADOR
AM EMB TEGUCIGALPA, HONDURAS
AM EMB GUATEMALA CITY, GUATEMALA
USCINCSO, QUARRY HTS, PANAMA

INFO: SEC STATE, WASH, D.C.
SEC DEF, WASH, D.C.
DIR. CIA, WASH, D.C.
CHMN. JCS, WASH, D.C.

SECRET //EYES ONLY

SUBJ: VISIT TO CENTRAL AMERICA BY ASST. TO PRESIDENT FOR NATIONAL SECURITY AFFAIRS, DESIG. JOHN M. POINDEXTER (C)

1. SECRET--ENTIRE TEXT.

2. THE PRESIDENT HAS ASKED THE NEW NATIONAL SECURITY ADVISOR, VADM JOHN M. POINDEXTER, TO MAKE A HASTY, LOW-PROFILE TRIP TO CENTRAL AMERICA TO CONFER WITH TOP RANKING U.S. OFFICIALS AND TO REINFORCE THE CONTINUITY OF U.S. POLICY IN THE REGION. IN EACH

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LOCATION THE NATIONAL SECURITY ADVISOR WOULD LIKE TO MEET WITH THE U.S. AMBASSADOR, [redacted] AND SENIOR U.S. MILITARY REPRESENTATIVES. INVITATION OF CINC U.S. SOUTHERN COMMAND, GENERAL GALVIN, FOR USE OF HIS AIRCRAFT IN-THEATER IS GRATEFULLY ACCEPTED. WASHINGTON BASED C-20 WILL PROCEED TO GUATEMALA TO RENDEZVOUS WITH WASHINGTON PARTY.

N 37970

3. PURPOSE OF THE TRIP IS TO MEET WITH U.S. OFFICIALS NOT REPEAT NOT WITH HOST GOVERNMENTS. PLEASE EMPHASIZE WITH HOST GOVERNMENTS THAT NATIONAL SECURITY ADVISOR INTENDS THAT THIS BRIEF, INFORMAL FAMILIARIZATION TRIP WILL BE FOLLOWED AT A FUTURE DATE BY A LONGER VISIT WHICH WILL ALLOW MEETINGS WITH REGIONAL HEADS OF STATE AND ADDITIONAL HOST GOVERNMENT OFFICIALS. AMBASSADORS SHOULD STRESS THAT THIS SECOND VISIT WILL PROBABLY OCCUR AFTER INSTALLATION/INAUGURATION OF NEWLY ELECTED PRESIDENTS IN COSTA RICA, HONDURAS, AND GUATEMALA.

4. WASHINGTON PARTY WILL ARRIVE VIA SAM C-20 AND CONSIST OF:
VADM JOHN POINDEXTER, DESIG. NATIONAL SECURITY ADVISOR TO PRES
ASST SEC OF STATE ELLIOTT ABRAMS
DEP ASST SEC OF STATE WILLIAM WALKER
MR. [redacted]
LTCOL OLIVER NORTH, NSC STAFF
G. PHILIP HUGHES, NSC STAFF
CDR PAUL THOMPSON, MIL ASST TO NATIONAL SECURITY ADVISOR
2 WHCA COMMUNICATORS

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~~SECRET~~ SECRET UNCLASSIFIED

N 31911

5. NATIONAL SECURITY ADVISOR WOULD LIKE TO BRIEFLY VISIT HOST NATION AND U.S. MILITARY UNITS IN THE REGION AND INFORMALLY MEET WITH CERTAIN KEY OFFICIALS INVOLVED IN AIDING THE IMPLEMENTATION OF U.S. POLICY IN THE REGION AS INDICATED BELOW. WASHINGTON PARTY WILL BE INFORMALLY ATTIRED SINCE MOST STOPS WILL OCCUR AT MILITARY INSTALLATIONS. ITINERARY IS PLANNED AS FOLLOWS:

WEDNESDAY, DECEMBER 11, 1985

1830 DEPART ANDREWS AFB

2300 ARRIVE HOWARD AFB PANAMA
(RON QTRS 1 U.S. CINCSO, GEN GALVIN)

THURSDAY, DECEMBER 12, 1985

0730 BREAKFAST AT QTRS 1

0800 DEPART FOR VIP LOUNGE, HOWARD AFB

0830-0900 WD LIKE TO MEET PRIVATELY IN VIP LOUNGE AT HOWARD AFB
[redacted] AMB BRIGGS, GEN GALVIN, ASST SEC ABRAMS
IF AT ALL POSSIBLE.

0900 WHEELS UP FOR SAN JOSE, COSTA RICA
(SAVE ONE HOUR ENROUTE - CHANGE OF TIME ZONE)

0900-1030 WD PREFER MTG AT CARIARI HOTEL OR AIRPORT W/AMB TAMBS,
[redacted] GEN GALVIN, AND REMAINDER OF U.S. TEAM FOLLOWED BY

~~SECRET~~ UNCLASSIFIED ~~SECRET~~

N 31912

THURSDAY, DECEMBER 12, 1985 (CONT'D...)

1030 WHEELS UP FOR ILOPONGO AB EL SALVAADOR

1140-1300 MTG AT ILOPONGO W/AMB ED CORR, GEN GALVIN, COL STEELE, AND MILGP CHIEF, AND [redacted] WD LIKE TO MEET BRIEFLY W/DEF MIN VIDES AND GEN BLANDON AND BRIEFLY INSPECT AIR FORCE/COUNTER-INSURGENCY ASSETS. BRIEF RE CURRENT OPERATIONS AND DISCUSSION OF COUNTER-TERRORISM PROGRAM WD BE HELPFUL.

1300 WHEELS UP FOR PALMEROLA AB HONDURAS

1330-1530 MTG AT PALMEROLA W/AMB JOHN FERCH, [redacted] GEN GALVIN AT CTF BRAVO. WD ALSO LIKE TO HAVE OPPORTUNITY FOR PRIVATE REPEAT PRIVATE MTG [redacted]

1530 WHEELS UP FOR LA AURORA AB GUATEMALA CITY (GAIN ONE HOUR - CHANGE OF TIME ZONE)

1715-1820 MTG AT LA AURORA AB GUATEMALA CITY W/AMB PIEDRA, GEN GALVIN, [redacted] POLCONS, AND REMAINDER OF U.S. TEAM; WD LIKE TO MEET BRIEFLY [redacted] DISCUSSION OF COUNTER-TERRORISM PROGRAM WD ALSO BE HELPFUL.

1830 WHEELS UP FOR ANDREWS AFB

2400 ARRIVE ANDREWS AFB

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~~SECRET~~ SECRET UNCLASSIFIED N 31913

6. WASHINGTON PARTY REQUESTS ASSISTANCE RE VISAS AND CUSTOMS CLEARANCE IN THAT TIME HAS NOT PERMITTED NORMAL VISA PROCESSING. REGARDS, POINDEXTER.

~~SECRET~~ SECRET UNCLASSIFIED

[illegible] Declassified/Released on 30 Jun 1987 under provisions of E.O. 12356 by [illegible] National Security Council

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

N[illegible]

SYSTEM II
26 Sep 86
90672

Exhibit JG-11

~~SECRET~~

ACTION

September 26, 1986

280

N 32092

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Meeting with General Jack Galvin, USSOUTHCOM

You are scheduled to meet with GEN Galvin on Monday, September 29, at 3:30 p.m. GEN Galvin wants to raise with you several issues of immediate concern:

-- El Salvador Funding. The House mark on Military Assistance to El Salvador reduced the Administration's request from $140M to $111M. Funding at this level will not allow the Salvadoran army to maintain its vital civic action program or to sustain the National Campaign Plan. We have been hoping for Senate action which would bring the level back closer to $130-135M and then Conference action, which would leave us at approximately that level. GEN Galvin has concerns that our attention to the Nicaraguan resistance has distracted us from the very real problems in El Salvador.

As an indication of Salvadoran disappointment and concern, yesterday,

It is important to note that this one example of disaffection in Central America is likely to increase when other Latin American leaders become more aware of the dramatic shift in aid priorities from Latin America to Africa. Next year, we will be spending about $1.4B in Africa and approximately $750M in Latin America -- almost the reverse of this year's allocation.

-- Contra Program. [redacted]

~~SECRET~~
Declassify: OADR

UNCLASSIFIED

3203

Box 3-21
3/30/87

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N 32093

-- Drugs. GEN Galvin wants to give a brief update on Operation BLAST FURNACE and his assessment of future operations of this kind. [redacted]

You might also mention that Al Keel is considering a trip to the region and that a kick-off briefing at SOUTHCOM would be helpful. For planning purposes, we would intend to have Al go shortly after the $100M is made available.

RECOMMENDATION

That you review the points above prior to your meeting on Monday.

Approve ____ Disapprove ____

Ray Burghardt concurs, but would have liked to have known about Galvin visit and Keel trip earlier.

~~SECRET~~

UNCLASSIFIED SECRET Original

HSITS ______ /87

Stenographic Transcript of

HEARINGS

Before the

UNITED STATES SENATE

Washington, D.C.

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Partially Declassified/Released on 12-17-87
under provisions of E.O. 12356
by N. Menan, National Security Council

4007

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WASHINGTON, D. C. 20001

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TESTIMONY OF FLORENCE GANTT

Monday, May 18, 1987

U.S. Senate,
Select Committee on Secret Military
Assistance to Iran and the
Nicaraguan Opposition
Washington, D.C

Deposition of **FLORENCE GANTT**, a witness herein, called for examination by Counsel for the Senate and House Committees in the above-entitled matter, pursuant to notice, the witness being first duly sworn by JANE W. BEACH, a Notary Public in and for the District of Columbia, at the offices of the Senate Select Committee, 9th Floor, Senate Hart Office Building, at 10:00 a.m., Monday, May 18, 1987, the proceedings being taken down by Stenomask by JANE W. BEACH and transcribed under her direction.

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APPEARANCES:

On behalf of the Witness:

C. DEAN McGRATH, JR., Esquire
Associate Counsel to the President
The White House
Washington, D.C.

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

VICTORIA NOURSE, Esquire
Counsel
Senate Select Committee
Hart Senate Office Building, 9th Floor
Washington, D.C.

On behalf of the House Select Committee to Investigate Covert Arms Transactions with Iran:

BUD HALL, ~~Esquire~~
House Select Committee
United States House of Representatives
Washington, D.C.

PROCEEDINGS

Whereupon,

FLORENCE GANTT

was called for examination by counsel for the Committees in the above-entitled matter and, having been first duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR THE SENATE SELECT COMMITTEE

BY MS. NOURSE:

Q Mrs. Gantt, where are you presently employed?

A At the White House, the National Security Council.

Q And who is your immediate supervisor?

A General Powell.

Q And prior to that?

A Admiral Poindexter.

Q When did you begin work for Admiral Poindexter?

A I'd been working with Admiral Poindexter from the time he came to the NSC. I think that was about five years ago. And then I was assigned directly to him when he became the Deputy, and I don't remember exactly what year that was.

Q And you worked for him until he left the

NSC. Is that correct?

A That's correct.

Q Could you give us just some brief idea of what your basic responsibilities were?

A I'm his personal secretary, or his Special Assistant, and that basically is taking care of him in all respects--taking care of his schedule, maintaining his files, doing his typing, his social calendar, the whole thing.

Q It runs the gamut. It sounds like you were probably a very busy employee--

A Yes.

Q --employee with the National Security Adviser, keeping track of him.

Was it part of your responsibilities to log documents? We've heard something about a log for documents. Maybe you could explain that process.

A We have a system by which most of our documents have a number. We have several systems, and--

Q Right. I understand that.

A --and when the document would come in, the reason we logged the documents was merely to trace them in our office. In other words, if someone wanted to know where No. 4279 was, it was much easier to have it on the log, instead of going to the first place it comes into and looking through their papers.

When documents came into the Admiral, then I would log them in as coming to the Admiral. When they left his office, I would log them in to whoever they were going to.

Q The fact that a document was logged in on whatever sheet this was--

A It was on the computer.

Q --would that indicate that he had seen the document, necessarily?

A No, it meant it was in his office.

Q I see. The next thing I want to ask you about is Admiral Poindexter's reputation that has been much discussed in the press, for note taking. You have been asked questions about this before, I know, but indulge me and let me ask the same questions again just for our record.

Were you aware that he took notes at various meetings? And what type of meetings were you aware that he took notes at?

A If he took notes, to my knowledge he kept a little book and he would write notes basically on

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what he had to do as a result of a meeting. In other words, I thought they were basically tickler items. What he would do is he would have a note with a little square, and talk to so-and-so about a specific subject. And at the end of the time when he would talk, he would check that square.

There were times when he kept minutes of a meeting, if he had gone to an NSPG and was the notetaker, then he took actual minutes. Other than that, I am not aware of his taking extensive notes.

Q Now you mentioned a notebook. Was that a small, spiral notebook?

A He started with a small spiral notebook. He started with a shorthand book. Then he went to his little notebook, his little black notebook. Then when he became the National Security Adviser, he basically used these sheets [indicating].

MR. HALL: Witness indicates yellow legal pad sheets.

MS. NOURSE: Thank you, Dean.

BY MS. NOURSE: (Resuming)

Q So that prior to the time that he was National Security Adviser, he had the notebook; and later he used the legal pad?

A Um-hmm.

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Q That explains--

A Now he may have still kept his notebook, but, you know, I never saw that. I never saw any sheets come out on that paper, and he would give me the yellow sheets to file, occasionally.

Q Would you retype any of these notes?

A No. He was very meticulous and very neat in his writing, and he said it wasn't necessary for me to type them.

Q And you would file the notes. Were there particular files for particular kinds of meetings?

A Um-hmm. Basically, it was the 0930, which is the meeting with the President. I would file the notes as to what was discussed with the President.

Before he went in to see the President, he would write a list of items that he was going to discuss. Then when he came back he would check what was actually discussed. Then I filed that in the 0930 file.

I think that's basically the type of notes. And then I had a folder that contained handwritten notes, and if there were times I didn't know what to do with something and it was in his handwriting and he didn't say "burn," I would put it in that file. But that was not a very complete file, by any means.

Q To your knowledge, you mentioned the word "burn." Was it his consistent practice to destroy the notes?

A If he had completed everything on the note, he would just draw a line through it and say "burn," and I would burn it. That's what made me think they were basically ticklers, you know, to remind him to touch base with somebody on something, or to do something.

Q Do you remember, where these the 0930 notes?

A No, the 0930 notes he basically would file.

Q He would file those?

A Um-hmm.

Q So that when he would instruct you to destroy notes, they were generally of other types of meetings?

A Well, it might have involved items that had to do with the 0930 that he had made notes to himself, and then he transposed them to the yellow sheets, and then when he would take care of it he would just throw the little notes away.

Q I have seen notes. They are in here, and we may get to them eventually, of the family group lunches.

A He also kept that type of thing.

Q Was that in a separate file?

A Um-hmm.

THE REPORTER: Did you say "yes"?

THE WITNESS: Yes.

MS. NOURSE: Unfortunately, the reporter only responds to words, and not to gestures and the other ways that we always communicate with each other.

BY MS. NOURSE: (Resuming)

Q Was there a separate file for NSPG meeting notes?

A I don't think I kept it, because it was basically a system package, and most of that stuff was sent back. I may have had in my files [redacted] an NSPG folder of notes that I was supposed to have typed for him from years back that I never got around to doing. I think that's the only NSPG file I had.

Q Taking this a little bit out of order, back to the logging process, are you familiar, or have you ever seen any documents termed "non-log"?

A Um-hmm.

Q What was your understanding of non-log documents? What was their purpose?

A Non-log was usually something that didn't necessarily have to go into the historic files. It may have been something that somebody wanted to mentioned, but not necessarily thought it was sufficient for filing.

Also, they were used for things that they didn't want to go through the system, not necessarily sensitive, but sometimes could be sensitive.

Q Were non-log memos a common occurrence? Was it a rare occurrence? Could you give us some kind of estimate?

A Common every day, every week, every month, no; but you could have a time where you might get non-log several times in one week, depending on you know what was going on, and the subject. But it was not on a regular basis, no.

Q Did Admiral Poindexter ever instruct you to type or take dictation of a non-log memo?

A Not to my knowledge, no. Most of the things that I did type for him I didn't always put in the system, though. You know, in other words, if it was a one-paragraph thing and he was sending it to the Chief of Staff, or to someone, I didn't necessarily put it in the system. Then those would be in his personal chron, official chron, I'm sorry.

Q By not putting it in the system, you mean that it did not have a system one, two, three, four number, and go through the filing chains?

A Um-hmm. Say if he were saying, send this down to Don Regan, "for your information as we discussed," then I would just go ahead and type it up, attach the copy of whatever they discussed, send it down, and then put a copy in his official chron.

Q Would his official chron be the only place where those items could be located, since they were outside the system?

A If it involved discussing something at an 0930, then I might double-file it, cross-file it in the 0930. I might cross-file, but those files would have all been his personal files, and I may have cross-filed it, but I'm not sure. It would depend.

Q You would not send it anywhere else to a central filing system?

A No, huh-uh. If it didn't have a system, a number, and if I didn't send it downstairs, it would just be in his official chron.

Q Were these typically short notes, as opposed to long memoranda?

A Um-hmm. I'm a stickler for system. So even if not instructed, I would put it in the system.

Q I just want to be sure I ask you all these questions before I get to these documents. Back to the System 4 documents. Did Admiral Poindexter ever ask you to retrieve an original System 4 document from Jim Radzienski or anybody else who might have had access to those files?

A I don't know. I've been asked to retrieve originals, but whether he asked me I really don't know. Quite possibly, but I really don't know.

Q Do you remember who asked you?

A No. I have retrieved, but I honestly couldn't tell you. It's quite possible, but I really wouldn't remember anything specific.

Q You have no specific recall as to the incident in which someone asked you to retrieve?

A No, but I have been asked to recall. In the years that I have worked there, I have been asked.

Q And was it your normal practice to return those documents back to Jim Radzimski?

MR. HALL: Was there ever an occasion when you did not return the original documents?

THE WITNESS: That, I couldn't really answer, because the way the documents would be returned is they would be put in his out box, and if someone else handled his out box in my absence, then it would have been returned.

I did not maintain a log of what I had called back--you know, called the original back to the office, and whether I in fact returned it or not. If it were sent in his out box, I would have returned it, yes; but he may have put it out, as I said, and someone else may have worked on the out box and they would have returned it. But our system was, when it came in the out box it was sent back to where it came from.

BY MS. NOURSE: (Resuming)

Q Did Jim Radzimski ever call you and ask looking for a System 4 original?

A Um-hmm.

Q Do you remember anything specific about that occasion or the document he was looking for?

A No, I just remember that there were times when they were looking for specific documents--you know, I couldn't tell you which ones. All I knew is they were System 4, and I would check and see if they were in my possession, or I would go through the Admiral's papers, and answer yes, or no.

Q Is it correct that during the course of your duties you became familiar with Admiral Poindexter's handwriting?

A Um-hmm.

Q So that if I were to show you a document, you would be able to tell me--

A Well, I can try.

Q --his handwriting, or how to decipher it? That is what we will get to in a minute.

MR. HALL: Victoria, before we get to that, if I could ask, what did you understand his personal files to be, the compilation, the categories of materials in his personal files?

THE WITNESS: "Personal files"? Or files that I maintained in the office?

BY MR. HALL:

Q You're differentiating between personal files that you maintained and other files that were personal that he himself maintained?

A Um-hmm.

Q Were you aware, first of all, of those?

A I maintained his files.

Q All files?

A Um-hmm.

Q Did he have files that perhaps he placed copies of documents in that only he maintained?

A No. Anything that only he maintained, he would keep himself, and he would not ask me to file.

Q Were there such documents?

A He had a stack of papers on his desk, yes, and there may also have been some papers in the safe that were left there and said, "do not put out on desk every day," and they were documents that he may have been keeping, for whatever reason, that he didn't need to have his working file on his desk.

I remember when Mr. McFarlane left, there was a wad of papers that Admiral Poindexter just said keep in the safe until I get around to them, and they may have been things that were ongoing, or something for him to handle after Mr. McFarlane left. I never really went through the file.

Q As to the categories of materials within those personal files, were you familiar with each of the categories?

A The ones that I maintained?

Q Yes.

A Um-hmm.

Q Did he have a filed folder marked "personal" that you did not?

A No. Not--I had access to everything that he had. I did not bother with what he kept in his little safe. That was his working materials, and I had access if I were looking for a paper, I could go through it all--you know, sift through it to look for what I'm looking for, but I did not bother with those. I had enough to do, and if I didn't have to worry about those papers, I didn't.

If he said "file," then yes, I did either file in my own safe, which I called "personal" but which was official and personal, or I would send it down to the system.

Q The materials that he kept as his working papers, as you described, those were kept in a separate safe?

A We called it the lock-up safe where I locked them up at night. That was basically everything that he had on his desk, things that he was maintaining, working files, papers that had to be acted on, and also files that he kept that he didn't want to dispose of yet because he was working, but not necessarily current, and not the daily work at the moment. That would all go in the safe.

Q Who had access to the lock-up safe?

A Everyone in the office, including myself.

MR. HALL: Okay. Thank you.

BY MS. NOURSE: (Resuming)

Q Some further questions on filing. The official chron, did you keep that?

A Um-hmm. Yes.

Q Did Admiral Poindexter keep a sensitive chron?

A He did not. He kept two chrons: official and personal.

Q And you maintained both of those?

A Um-hmm.

Q Were either of them in the safe?

A They were both in the safe, in the same safe.

Q His safe?

A No, my safe.

Q Okay. On the logging system, that included logging System 4 documents as well as all other systems? Is that correct?

A All except non-log.

Q Did Admiral Poindexter dictate memos to

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you?

A Very, very seldom.

Q Did he write them out in longhand and give them?

A Yes, but very little.

Q Did you ever have occasion to type up memoranda for the President that were non-log, or non-system?

A Um-hmm. Yes.

Q Was this a common practice?

A No, it was not a common practice.

Q As a standard matter, would the memos that you would be asked to type that were going to the President, would they be on-system?

A No, they would not be on-system unless he was drawing from a system package. If he were drawing from a system package, then I would put the same number as the system package. If he were just dictating a memo, then I would not put a number on it, and it would go in the official chron.

Q To reiterate just what you said, the memos would be filed in the official chron--

A Yes.

Q --even if they were not on a system, these memoranda to the President?

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A That's right.

Q Now for a little handwriting analysis--unless, Bud, you have some more questions?

MR. HALL: No, thank you.

MS. NOURSE: If the reporter could mark this as Gantt Exhibit No. 1. For the record, this is a compilation of notes we believe to have been taken by Admiral Poindexter, and it bears our Bates stamp numbers N7822 to N7841.

(The document referred to was marked Gantt Deposition Exhibit No. 1 for identification.

BY MS. NOURSE: (Resuming)

Q If you could leaf through this document and confirm for us, first of all, whether this is in fact Admiral Poindexter's handwriting. By that, I do not mean the portions that state "nonrelevant information, delete."

A It is his handwriting.

[Pause.]

MS. NOURSE: If we could go back on the record and indicate that she has looked through that.

BY MS. NOURSE: (Resuming)

Q Mrs. Gantt, if you could, tell us on each of these pages marked N31121 through N31140--no, we have different numbers.

A I have 7822.

MS. NOURSE: Off the record for a minute.

[Discussion off the record.]

BY MS. NOURSE: (Resuming)

Q Exhibit No. 1 is N7822 through N7841. If you could tell us, please, for each of the pages that have been marked as Exhibit No. 1, whether there appear notes from Admiral Poindexter on those pages?

A Yes.

Q On each of the pages?

A On each of the pages.

Q Thank you.

Now on the first page of this Exhibit, N7822, there is a notation in the upper left-hand corner "0930, 3/7/86." Is this the type of material that would be filed in the 0930 file?

A That's right.

Q And you would understand this piece of paper I have handed you to be the notes taken by Admiral Poindexter at a 0930 meeting?

A No. These were the notes that he would

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make prior to going to an 0930, and he would draw his little--I see they're not boxes, but circles; and if he discussed it at the 0930 he would draw through it.

Q I see.

A There is a box [indicating].

Q Turning to the next page, N7823, there is a notation on the upper left-hand, "Shultz meeting with President." Is this an example of notes that Admiral Poindexter would have taken at the meeting with Shultz and the President?

A No. This looks more like the same type of thing that he would write before he would go into the meeting. Now he may have added things after he got there, but this is the same type of thing.

Now to me, this would mean that he didn't get the article the President gave Shultz, but that doesn't necessarily mean that. He could have been busy and just didn't check it.

Q By "this" you're referring to the blank box on the first entry on this page?

A Um-hmm. Usually when he would "JP" it at the top, that meant "I'm finished, file it." Then I would put that in the Shultz meeting with the President folder or file.

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Q So there's a separate folder for Shultz meeting with the President?

A We had two folders, I believe, for Shultz. One was called "Shultz", and I think one was called "Shultz: Meetings with the President." It may have been one file. I can't remember now, with different people that I've worked with, but if we have this, "Shultz: Meetings with the President," it would be strictly things that were discussed in Shultz with the President.

If we had a regular Shultz file, it would be memos that we would get from Shultz, or things that we would send Shultz that were not in the system, and then it would be filed in that.

Q Was it Admiral Poindexter's regular practice to hand you the notes after the meetings to be filed in the Shultz meeting with the President file?

A Usually. Sometimes it would be a few days late, but usually he was very good, he would throw it right out after the meeting.

Q If you could just give us an idea, in a year how big would these files be?

A Not big at all.

Q By "these files," I mean the Shultz

meeting with the President, or the 0930 file?

A The Shultz meeting with the President sometimes were once or twice a week, twice a week at the most. Meetings with the President were usually once a day. So that would be five pieces of paper a week.

Q Did Admiral Poindexter give you these notes on a consistent basis? In other words, would there be a note in that file for every meeting he had with the President?

A Almost, but there were times when there wouldn't be.

Q If you could, look on this page N7823. If you could help me read his handwriting, I would very much appreciate it.

MS. NOURSE: Off the record for a minute.

[Discussion off the record.]

MS. NOURSE: Back on the record.

BY MS. NOURSE: (Resuming)

Q Mrs. Gantt, I wonder if you could decipher the second line after there is a notation "is real" and then there is one line which I won't discuss, but after that there's a word, I believe it says "crates."

A That's correct.

Q Could you read the next two lines here?

A "Crates of prohibited material,
"business with Iran (Bermuda)."

Q The last word is "Bermuda" you believe?

A That's what it looks like.

Q Okay. Fine. Thank you very much.

If we could skip a couple of pages to N7825, this again in the upper left-hand corner has a notation "0930 11/24/86"; and then in the upper right, I believe this says, and could you confirm for me, "done JP"?

A That's right.

Q Are these notes that he would have taken before entering the meeting?

A Um-hmm.

Q And then indicated on the upper right-hand corner that he had done whatever it was that was discussed below.

A It doesn't mean that he wouldn't have annotated them once he was in the meeting, but basically this is the type of thing he would do before going into a meeting.

Q If we could, skip to N7830. Again, this notation has in the upper left-hand corner "0930 7/2/86" and in the upper right-hand, "Done JP".

If you could, clarify for me what precisely this notes says. If you could read it into the record, I would appreciate it.

A "Nicaragua Program
--$400M [million dollars] in addition."

Q Okay. Thank you.

And skipping to N7837--you have my note on here, which I will take off--"What does this say," my note says, and that is exactly what I am going to ask you.

Again, on the upper left-hand corner this mentions "0930 1/22/86" "Done" in the upper right-hand corner.

On the last line of this note above where it says "non relevant material deleted" I am interested in the first word of that sentence. If you could read it into the record as best you understand it based on your knowledge of his handwriting, I would appreciate it.

A 7837?

Q Not this line. Above the "non relevant materialA. This line here [indicating]. I will ask you to read the third line of this message that I believe starts "Covertness" or "Correctness."

A It looks like "Covertness of" something "to Contras." And I don't know whether that is, I can't tell whether that's been scratched out and that's just one zero to Contras.

Q I would interpret that as "aid".

A Oh, well, yes, I guess now that you--it could be "aid," too. It could be a-i-d.

Q Do you believe the first word is "covertness"?

A It looks like "covertness."

Q Moving on to another set of notes that have been produced from the White House.

MS. NOURSE: Would the reporter mark this as Exhibit No. 2.

(The document referred to was marked as Gantt Deposition Exhibit No. 2 for identification.)

BY MS. NOURSE: (Resuming)

Q This is a four or five page document marked our N numbers 8011 through 8016. They are handwritten notes.

Mrs. Gantt, could you identify this? Is this Admiral Poindexter's handwriting?

A Yes, it is.

Q Do these notes look to be the kind that would have been in a small spiral notebook that he--

A Yes.

Q --took notes prior to the time he was the National Security Adviser?

A He may have also used it afterwards. I'm not sure, but that's what they look like, yes.

Q Looking on page N8015, if you could help us read this page, in particular after the third paragraph.

A After the third paragraph?

Q The third paragraph, I mean.

A [redacted]

Q Going back for a moment to the first page of this document, in the upper left-hand corner it mentions 0923. Would that be the time?

A That's what it looks like.

Q And the date in the upper right-hand is 6/22/85?

A Um-hmm.

Q One more thing. Looking on page N8013, after the reference to [redacted] there's a word and a colon. Could you make that word out for me?

A Oh, boy.

Q If you can't, you can't.

A I'm not sure what the first letter is. It looks like [redacted]

Q Well, all you can do is attempt to use your best recollection of his handwriting. It's not crucial. I think we can move on.

MS. NOURSE: If the reporter could mark this as Gantt Exhibit No. 3.

(The document referred to was marked Gantt Exhibit No. 3 for identification.)

BY MS. NOURSE: (Resuming)

Q This is two pages of handwritten notes marked N28892 to 28893.

Mrs. Gantt, on the first page of these notes in the upper left-hand corner is the reference "DOM". What is that?

A Daily Operations Meeting; the 8:00 o'clock senior staff meeting.

Q And the marks in the boxes in the left-hand side of this page would indicate to you that these are items that Admiral Poindexter had written at the meeting, or maybe prior to the meeting?

A It could be before the meeting, and it could be at the meeting.

Q This note discusses a "1340 meeting with the President."

A Um-hmm.

Q How often, to your knowledge, did the National Security Adviser, Admiral Poindexter, meet with the President outside of the 0930 a.m. meetings? Was this a common occurrence? A rare occurrence?

A It was not a common occurrence, and I really off the top of my head could not say. It depended on what was going on. If we had a crisis going on, then he might meet with the President more often. But it is just difficult to say.

Q Moving to the next page, N28893, on the upper left-hand corner is indicated "Family Group Lunch" and various items. Was there a separate file for Family Group Lunch notes, as well?

A Yes. This is the type of thing where he may have had this note for the January 17 family group lunch, and at the meeting he may have written the future agendas, and this is the type of thing

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that he may not have given me to file immediately after January 17. He may have kept this on his desk for the next FGL, and then he may have thrown it out after the next FGL.

Then again he may have given it to me to file right at the 17th; but that was the inconsistency of giving it to me immediately after the meeting. Sometimes there were instances where he did hold on.

MS. NOURSE: If the reporter could mark this as Gantt Exhibit No. 4.

(The document referred to was marked Gantt Exhibit No. 4 for identification.)

MS. NOURSE: That copy seems to have more pages. Could I just see that?

[Discussion off the record.]

MS. NOURSE: This is the document I am going to have marked, and I don't have an exact copy of it. This is a two-page document marked N31027 to 31028.

BY MS. NOURSE: (Resuming)

Q Could you identify for us, Mrs. Gantt, whether this document is in Admiral Poindexter's handwriting?

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A I don't think it is.

Q Could you tell me whether on the second page of the document where there are notes on the bottom shortly above the independent counsel's AKW number, whether those notes are Admiral Poindexter's handwriting where it says "Add? Not legal?"

A It could be. It looks, but I'm not positive.

Q Okay. Fine.

MS. NOURSE: If the reporter could mark this as Gantt Exhibit No. 5.

(The document referred to was marked Gantt Exhibit No. 5 for identification.)

MS. NOURSE: This is a set of handwritten notes, our Bates stamp numbers N 8025 through 8028.

BY MS. NOURSE: (Resuming)

Q Could you tell me, Mrs. Gantt, whether this document is in Admiral Poindexter's handwriting?

A Yes, it is.

Q Is the printing on these pages Admiral Poindexter's printing, as well as the handwritten notations? For example on the fourth line of the first page N8025, there is some script-like handwriting.

A That's Admiral Poindexter's writing, yes.

Q As well as the printing? Is that correct?

A Yes.

Q What about these notations on the side of the document where it mentions "no," for instance, on the first page?

A I think it is his handwriting, yes.

MR. McGRATH: The record should indicate that the reference in the lower left-hand corner is not that of--

MS. NOURSE: "E-3" is the FBI reference.

If the reporter could mark this as Gantt Exhibit No. 6, this is a document with our Bates stamp numbers N7514 through N7522, and has a handwritten note on the front.

(The document referred to was marked Gantt Exhibit No. 6 for identification.)

BY MS. NOURSE: (Resuming)

Q This, Mrs. Gantt, is the famous diversion memo. I don't mean to surprise with you with anything. I do want to ask you whether the note on the front page, if you could confirm for us that this is Admiral Poindexter's handwriting?

A Yes, it is. It is his handwriting.

Q Could you read us the note, please?

A "Keep this together for me. Iran. JP." I can tell you exactly where that's from.

Q Okay. Why don't you tell us about the Iran file.

A Okay. The day that the Admiral resigned, he, before he left for the day, I think it was on that day, and it may have been the next day, I'm not exactly sure what day. But anyhow, he bundled up some papers from his desk, and he asked me to keep them together for him, and I put them in my file.

I didn't do anything with them. I just put them in my file.

Q Did these documents go into your safe?

A They went into--not the safe where I file his files, because that safe was relatively full. They went into the safe where I lock up my things, and the other girls lock up their things at night.

Q How big was this file when he handed it to you?

A I think, about that big [indicating].

Q The witness is estimating about--

A What, two or three inches?

Q --about two inches.

A I really don't remember, but it was just a bundle of papers. I think it had a manilla folder on it, or around it, or in it.

Q Did Admiral Poindexter keep an Iran file prior to that time?

A No, he did not. At least I was not aware of it. He kept papers on his desk, but I did not know of any specific files that he kept that he entitled "Iran."

Q So to your knowledge, this note, "keep this together for me," was written about the time prior to this departure?

A Um-hmm. I think what he did was go through his desk and pull papers that had dealt with this subject, bundled them up, and gave them to me. He was disposing of all those papers.

Q Were there any other papers that he--relating to the contras or Iran--that he asked you to safeguard, as well, when he was leaving?

A I'm not sure if he gave it to me in one bundle, or if he added to it at the end of the day, or the next day when he found more papers that he wanted me to hold for him. I can't recall. I think there were two instances. Anyhow, I put them all in the same batch that I had.

Q And each time he would indicate that this was for the Iran file? Is that correct?

A He would just say, "keep these with the papers that I asked you to hold," or "put these with that bundle I asked you to hold."

Q Do you recall, if you could look at the memorandum, as I told you earlier this is the memorandum indicating that funds had been diverted from the Iran initiative to the contras.

Do you remember ever seeing this document at or around the time we believe it was written in April of 1986?

A No, not when it was written. I've seen it after.

Q I'm going to ask you this question. I think I know the answer. When did you first learn of the diversion? Was it when it came out in public?

A Well, before it came out in public. The morning that the Admiral resigned.

Q Do you remember when the Admiral handed you this document, or put it in a pile with other documents, do you remember whether it had a cover sheet on it? Or you don't remember this is what it looked like?

A I can't remember if it had--if the folder surrounded the entire bundle, or if the folder was on top of the bundle, but I know that it had a sheet of paper on top, and I thought it was just--you know, I really don't recall, but I thought it was just a blank sheet of paper. It may have even been one of those little stick-um notes that just said, keep this together for me.

Q Did you go through the papers at all?

A No, I just figured that it was stuff that had to do with Iran that he was going to use, or sort out when he had a moment, and I did not have a chance to go through it, and I did not go through it.

I think the next day, or the weekend came, and I think that's when the FBI took the files. They didn't take these, though.

Q They did not take these files?

A No, because they did not take my files. So when I came in to work, I believe it was Monday morning, I jokingly said, look what I have. Then they said, turn them over immediately, and that's what I did.

MS. NOURSE: If the reporter could mark

this as Gantt Exhibit No. 7, we have more notes.

(The document referred to was marked Gantt Exhibit No. 7 for identification.)

MS. NOURSE: This is, for the record, four pages of handwritten notes marked with our Bates stamp numbers N5362 through N5365.

BY MS. NOURSE: (Resuming)

Q Mrs. Gantt, could you tell us whether these are notes written by Admiral Poindexter based on your knowledge of his handwriting?

A Yes, they are.

Q On the first page of N5362, could you read for us the third entry on the first note which in the upper left-hand corner states "ODSM"?

A The third that doesn't have the little--

Q I believe it starts with "What is".

A "What is the real story on FDN atrocities."

Q "Atrocities." Thank you.

The next entry states, I believe, and you can tell me whether this is correct, [redacted]

A That's correct.

Q The reference in the upper left-hand

corner, ODSM, what do you understand that to be?

A That's the Office Director's Staff Meeting. That's the Senior Staff meeting of the National Security Council staff directors.

Q Were those notes kept in a separate file, as well?

A I really don't remember. I don't think I had an ODSM file, but I'm really not sure. If there is a file, it would be in that drawer.

Q Looking on N5364, I believe that's two pages on, if you could confirm for me the handwriting with respect to the reference that states "Meeting with President 0930"?

A That's Admiral Poindexter's handwriting.

Q Would this be a note that he had taken at the meeting? Or do you believe prior to the meeting?

A It's very difficult to say.

Q I read this note as follows, and you can tell me whether you believe that to be a correct interpretation.

"Meeting with President 0930.
Discussed Speaking Breakfast"--

A "Sperling," I think.

Q "Sperling Breakfast." Is Sperling a name you recognize?

A I think it is the news, the newsies, that have a breakfast. It is S-p-e-r-l-i-n-g.

Q "Private aid to contras."

A I think it's--I'm not sure if it's the newsies now, you know, but that's what it says, "private aid to contras."

Q "Bud covered our plan."

Then four points. The first:

"3rd country assistance."

Second: "non-lethal aid."

Third: "intelligence restrictions."

Fourth: "private humanitarian aid."

A That's correct.

Q If we could just go back again on the Sperling breakfast, if you could explain it again for me once more? I'm maybe a little bit dense on that.

A I think it's a group of newsmen that get together, and it is out of the building. They have a breakfast every--I don't know if it's once a year, or maybe it's more, or maybe they have it every week or every month, and they ask various people to participate. At least that's what I think that is.

Q All right, moving on.

MS. NOURSE: Would the reporter mark this as Gantt Exhibit No. 8.

(The document referred to was marked Gantt Exhibit No. 8 for identification.)

BY MS. NOURSE: (Resuming)

Q This is a two-page handwritten note with our Bates stamp number N28884 to 28885.

Mrs. Gantt, could you tell us whether this is a note written by Admiral Poindexter, to the best of your knowledge?

A Yes, it is.

Q Did he often write short, handwritten notes?

A Yes.

Q Of this type?

A Um-hmm. Yes.

Q This is written on 5/23. The name of the addressee in the upper left-hand corner is "Ray," I believe. Is that Ray, or Roy?

A That's Ray.

Q Do you believe that this is directed to Ray Burghardt?

A Yes. That's why I would think it would be.

Q Do you remember ever seeing this note before?

A I might have.

Q I understand, when you are managing paper flow.

A Normally when I saw notes that I thought were difficult to read, I would retype them.

Q Let me try and read this for you, and you can tell me whether it is correct.

"Ray,

"Please draft a short cover memo for the President and a response to include the following

"Admit the problems of the past including the mistakes made in covert"--

A It looks like it may be "program" or--

Q Or "prg"?

A Yes.

Q Do you read that to be "prg"?

A "Prg," yes.

Q "Point factual errors when they exist. Summarize the review conducted end of 1985 and the unanimous commitment by Cabinet officers in Jan 86 and our campaign to get funds. Describe the mood on the Hill and our inability so far to break the funds loose. Admit the error in"-- the next word? If you could help me, "appoint"?

A It looks like "appointee" or "appointment". It looks like "appointing", it's "appointing," "error in appointing Motley."

Q "appointing Motley."

A Um-hmm.

Q "Now things under"-- "how" Is that "now"?

A "Not things work under Abrams."

Q "I suspect this is pure Menges."

A That's right.

Q And signed with the initials "JP." Is that correct?

A That's correct.

MS. NOURSE: Moving on, if the reporter could mark this as Gantt Exhibit No. 9.

(The document referred to was marked Gantt Exhibit No. 9 for identification.)

MS. NOURSE: Unfortunately, Dean, I have no copies for you.

BY MS. NOURSE: (Resuming)

Q Mrs. Gantt, if you could just tell us whether you can identify this as Admiral Poindexter's handwriting?

A Yes, it is.

Q Aside from the--the record should reflect that the Xerox notations that happen to be in my handwriting say "Iran" and I think a reference to Admiral Poindexter are not in Admiral Poindexter's handwriting. Is that correct?

A That's these, to that [indicating] and to this [indicating].

Q The bottom left-hand reference by the FBI to "P 21" is not in his handwriting.

Mrs. Gantt, do these notes look to be the kind of notes he would make prior to entering a 9:30 meeting or, to the best of your knowledge?

A I don't think they would have been a 9:30, because he was very good about putting at the top what specific meeting he was going to use the notes in. This looks like he just made notes.

MS. NOURSE: Okay, I don't have anything else.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. HALL: [Resuming]

Q If I could go back for a moment, please, to what has been referred to as the diversion memo, number N7514--

MR. McGRATH: This is Gantt No. 6?

MS. NOURSE: Yes.

MR. HALL: Yes, it is.

BY MR. HALL: [Resuming]

Q On that particular document, I am somewhat confused if he gave that document to you along with other documents which comprised the package perhaps two inches thick. I believe you indicated that that may have been the day before he resigned?

A No. He didn't give me anything the day before.

Q Then when did he give those documents to you?

A When he gave me something, it was either the day he resigned or the next day, or the following. I don't remember now. Was it a Thursday, or a Friday? It seems to me it was close to the weekend. But anyhow, I don't remember if he gave it to be exactly that very same day that he resigned. I think he did. And I think he also gave me some papers after--

Q He resigned?

A That's right. Maybe that Monday or Tuesday as he was cleaning out his desk.

Q As he gave you those documents, was it your impression that those particular materials he anticipated going through again?

A Um-hmm. Yes.

Q But this was the day that he resigned?

A I'm not sure.

Q Or the time frame thereabouts?

A It was not before he resigned. I know that for sure.

Q What gave you the impression that he may have gone through those documents again?

A Well, I thought that possibly he would be using them if he had to remember what he was working with with Iran. I figured they were going to be working files for him. I didn't think anyone was going to come and take them.

Q Certainly not.

A And I figured he would be there for days to work on his files, and I thought he might be putting the file in order. And I could not tell you if this document was the very first document after this note. This may have been down an inch, or two inches. In other words, I did not look through the papers. I was told when I was questioned before that this was in the package, and I was shown this document as being in the package with this note.

I think I was shown the package at the time when I was told that. But when I received these documents, I did not go through. I just put them in the safe.

Q Were there verbal instructions--

A No.

Q --associated with that?

A It was sent down--it was a pile of things in his out box, and things that had numbers I would dispose to the Secretariat. Things that went to the Sit Room, I would send to the Sit Room. This package was bundled up, and it said, "keep together for me," and so I put it in my safe.

MS. NOURSE: Let me clarify. This document marked N 7514 was not attached when you saw it to the document that--

THE WITNESS: That's right. That's what I'm saying.

MS. NOURSE: --is numbered N 7515.

THE WITNESS: No. I recognize this document as it was pointed out to me when I was questioned, and I thought it was in the bundle of things. As I say, I think this may have been a little yellow slip put on top of the entire package.

MS. NOURSE: That's what I was going to

ask you. The note, the handwritten note, you believe to have been on top of the materials that he handed to you?

THE WITNESS: That's right. And we were busy, and I did not go through them. I just put them in the safe, as I say, figuring that he was going to use them to put them in order, or whatever, before he finally left.

I thought we were going to have a chance to get all the files together to go to, you know, to the--we don't have central files, but to go to the NSC, or things that were in his personal files for him to take.

Usually you work on files, and that's what I thought we were going to have a chance to do. I had no idea that we were going to lose our files. So I never really looked at this, because it was just not--it was not an urgent thing. I just stuck it in the safe for him to ask for at some point.

BY MR. HALL: [Resuming]

Q I believe you indicated that the other safe was full, and that you placed that--

A I stored it with my stuff, because I had the responsibility to get it back to him. So I just put it with my junk.

Q Did you relate the storing of those materials in your safe, as opposed to a safe which you would regularly store materials?

A What do you mean, "relate"?

Q Did you believe that those items had particular significance to them and were related to his resignation?

A Absolutely no. I figured--well, I knew it had to do with Iran, because when I got the documents I saw it was Iran. When he said, keep them for me, I put them with my stuff as my working papers that he would eventually ask for. He did not ask me to file it, so I did not file the package. I kept it with my working papers.

I figured that we were going to sort it out for the files. So that's why I kept it there. I figured he pulled everything from his desk that had to do with his problem.

Q Did you ever have any discussion with him again concerning those documents, including that particular document? Did you ever have a discussion with him concerning those documents that he set aside for you to hold?

A I laughed afterwards when the files had been taken by the FBI, and there was an article in the paper about Admiral Poindexter shredding his papers. My comment to the Admiral was, no wonder they thought you shredded your papers; I had all of your materials in my safe that dealt with Iran. And because they went through your safes and found nothing on Iran, they figured you shredded everything, and we laughed about it.

Q When was that discussion?

A After I found that I had this material in my possession, that the FBI had not taken it.

Q Within a day or so?

A When I came back to work, I think it was a Monday, because I think they took the files over the weekend. In fact, I'm pretty sure they took the files over the weekend. I think they took the combinations, or changed the combinations on a Saturday or a Friday night, and then I think Sunday they came and took the contents of the files.

I just found it very amusing, and very, I guess, I didn't think unprofessional, but not very thorough that they did not take my files, too.

Q What was his reaction to your comment, specifically?

A I think then I said, then I immediately was told to turn them over to Brenda. And we just kind of laughed.

Q What was Admiral Poindexter's reaction?

A His reaction was the same, that they were not very thorough in taking all the files that were relevant.

Q Nevertheless, you had them before you knew.

A What do you mean?

Q The documents, before you now.

A I don't understand what you're saying.

Q Put it aside.

Can you recall what Admiral Poindexter's comments were concerning the documents that you indicated that they did not take? What was his specific reaction, if you can recall?

A I told him that I had turned them over to Brenda Reger, and he said, good.

Q He said, "good"?

A Um-hmm.

EXAMINATION ON BEHALF OF SENATE--Resumed

BY MS. NOURSE: (Resuming)

Q To your knowledge, did he ever look through this file again?

A No.

Q Did he have access to your safe?

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A To my safe?

Q Yes. Do you know whether he knew the combination?

A He had access to them, but he would have had to ask for the combinations. I don't believe he had the combinations. He had the combination I think to his safe, but I'm not even sure about that. When I say "his safe," it is the safe in his office. It's not literally his safe.

He never opened it and closed it, to my knowledge. I'm the one--or the Sit Room--

Q You would open it and close it?

A That's right. The Sit Room had access to it. They also had the combination. They had the combination to all our safes. But, you know, whether he had the combination to his safe or not, I don't know. I don't believe he had the combination to our safe. He never had any reason to.

Q During the week or two prior to Admiral Poindexter's departure, do you remember, was there anything else that he asked you that might have been out of the ordinary in terms of filing or keeping papers together?

A Absolutely not. We didn't even discuss the files, because we never thought they were going

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to be taken.

Q Did Admiral Poindexter ever ask you to destroy documents in a way that you--

A Absolutely not. Absolutely not. He would write "burn" on things--

Q In the normal course.

A That's right. And I did that all the years I worked with him. If he drew a line through it, if he sent a document out that didn't have a checkmark on it, like this [indicating] for instance.

Q The witness is referring to N7823.

A I would say, "Admiral, you didn't check your block," and he would say, that's okay, it's ready for filing. And sometimes if I said, you didn't check your block, he would go through it and you know, kind of humor me and check it.

MS. NOURSE: Off the record a minute.

[Discussion off the record.]

EXAMINATION BY COUNSEL FOR THE HOUSE--Resumed

BY MR. HALL: [Resuming]

Q You obviously are familiar with Colonel North?

A Yes.

Q When did you first come to work for the

National Security Council?

A I started when I was 2. 1963.

Q You've held a variety of positions?

[Laughter.]

A Yes.

Q Within the National Security Council? You started out your initial position at the NSC as what?

A I was secretary to Charles Johnson, who was a senior staff member that handled atomic energy, nuclear treaties, that type of thing.

Q Jumping ahead considerably to the early 1980s when Lt. Col. Oliver North came to work for the National Security Council--

A That's right.

Q --do you recall under what circumstances?

A I thought Mr. McFarlane brought him on board, but I'm not sure if he was already on the staff when Mr. McFarlane came. I really didn't pay that much attention.

Q There came a point in time when Colonel North was placed in a particular section within the NSC political and military affairs section. Are you familiar with that?

A Yes.

Q Are you familiar with the fact that he had as subordinates Lt. Col. Robert Earl, and Commander Craig Coy?

A That's correct.

Q Do you connect anyone else with Colonel North in a subordinate position, aside from support positions?

A No, except staff members that did work with him on various projects or various subjects that they were interrelated.

Q You're familiar with the fact that Colonel North became involved in an initiative to sell arms to Iran?

A I'm not sure when I became aware of that. I don't know whether I was very naive and didn't pay attention, if I ever knew, but I really don't--I knew we were doing something with Iran, but I didn't know what until, I think, it became public.

Q Did you routinely read the type of work that came into Admiral Poindexter's office?

A No. You don't have time to read the paperwork that comes in. You look at the subjects. You would note the number, and the person that is writing it, so that if you are asked for the paper you recall seeing it come in. I am waiting for that paper from Jim Stark, has it come in? So you're knowledgeable about that. You don't have time to read papers.

Q And you're aware that Colonel North--did you connect Colonel North with an Iran initiative?

A Yes, I guess I did when I knew that Ollie was working on something sensitive, and I had an inkling it had to do with Iran. And, yes, I guess I did connect Ollie with that.

Q Did you connect him with work on behalf of the contras for the NSC?

A Oh, I knew he was working with Nicaragua, and that was part of his bailiwick, yes.

Q How did you know that?

A Because that was Ollie's area, number one, and I guess I saw papers coming from Ollie North.

Q And Colonel North would meet with Admiral Poindexter?

A Yes.

Q How frequently?

A That's hard to say. I would have to go--

Q We're talking in the time frame of 1985 throughout 1986.

A That's very difficult to say. I have it on the record of schedule that are also in those files. I didn't pay attention that much. There were times when we had a crisis going, then a specific staff member would meet more than once or twice a day.

There were times that Ollie never came to our office.

Q Would he call prior to coming to Admiral Poindexter's office?

A Normally, yes.

Q Would he just show up?

A There may have been times when he may have been downstairs working in the Sit Room, and there was a crisis going on, and he had to come in and report to the Admiral on something specific, and he may have just popped in.

Basically when people came to see the Admiral, they requested to see the Admiral.

Q When Colonel North appeared in Admiral Poindexter's office, would the door be open?

A The Admiral's door was always closed.

Q Even if he was in there alone?

A Even if he was in there alone.

Q So in other words, he would allow entry to a visitor, and the door would be closed, and the discussion would continue?

A Um-hmm. And he would allow entry only when I buzzed him and told him that someone specifically wanted to see him. Nobody barged in, except maybe Don Regan, or the President, or something like that. Then, you know, I would just go like that [indicating], and they would walk in.

Q Did you know of a specific animus between Admiral Poindexter and Lt. Col. North? Did you know of any disagreements or tension, arguments?

A Sometimes I would detect frustration.

Q On whose part?

A On the Admiral's part, and probably on Ollie's too. You could tell sometimes, yes, that there was frustration or, you know, get out of here.

Q And how would that frustration be articulated?

A You could tell that he--

Q Speaking of whom, please?

A Speaking of the look on Ollie's face when he came out, and if I would buzz the Admiral for something after he met with Ollie or he talked with Ollie, the Admiral would bark at me. At which time I would give him a handful of candy to show him that

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he needed to be sweetened up.

Q Did you know of a specific disagreement between Admiral Poindexter and Colonel North, the subject matter?

A No.

Q Would Admiral Poindexter discuss with you the personality traits or work performance of his subordinates?

A Sometimes I would see frustration, and I would make a comment, and he would say, well, he's just not doing what I want, or whatever; and I would say, well, why don't you fire him?

Q Who are you referring to?

A No one in particular. There were several instances when there were times when he was upset over a specific person. Not Ollie, in this instance that I'm talking about, and I would say, well, why don't you fire him? And he would say, well, we're going to, or something like that. And that would be the end of it.

And a lot of times he would tell me to mind my own business.

Q We can guess who that would be. But speaking of Colonel North, did you ever detect from Admiral Poindexter a specific area of disenchantment

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of the work performance, anything that you can recall in particular?

A Not in particular, no.

MR. HALL: Thank you.

EXAMINATION ON BEHALF OF SENATE--Resumed

BY MS. NOURSE: (Resuming)

Q I understand that you worked for Admiral Poindexter while he was Deputy?

A That's correct.

Q If you could give us some insight, as far as you know, as to his relationship with Mr. McFarlane. Was it a close relationship?

A Close? What do you mean? Personal?

Q Personal.

A Did they socialize?

Q Yes.

A No.

Q No?

A No. The Admiral was not a very social bird. He was basically family.

Q They had day-to-day contact, I imagine, though?

A They had what?

Q Day-to-day contact in the context of the NSC operation procedures?

A That's correct.

Q Let me ask you one more question about the diversion memo. Do you ever remember typing this document? You have seen this document more than once, I imagine, in various interviews.

A I don't remember ever typing the document, and I don't think I did, because I would never have put "sensitive" there [indicating]. I would have put "sensitive" here [indicating]. That was my way of typing it, here [indicating], and underneath; or "Top Secret--Sensitive" or "/Sensitive."

Q By "diversion" you understand that I mean the flow of profits from the Iran initiative to the contras?

A Um-hmm.

Q Do you ever remember typing any other document in which you remember having any reference to such a diversion other than this document, the April 4 document that is before you?

A I never even really read this document, so I don't even know what it says in it. The first time I ever heard of "diversion" was the day the Admiral resigned.

MS. NOURSE: Okay, fine. Thank you.

Bud?

MR. HALL: Thank you, very much.

MR. McGRATH: I would just like to indicate for the record that Mrs. Gantt appeared here voluntarily today to cooperate with the Committee; that the matters discussed are at the Top Secret level.

MS. NOURSE: Certainly. And we thank Mrs. Gantt for her cooperation, and for her occasional humor, and for bearing with this heat in this room.

[Whereupon, at 11:16 a.m., the deposition in the above-entitled matter was concluded.]

* * *

UNCLASSIFIED

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SIGNATURE OF THE WITNESS

SUBSCRIBED AND SWORN to before me this _______ day of ___________________________, 1987.

____

NOTARY PUBLIC

My Commission Expires:_______________________

UNCLASSIFIED

7MAR86

UNCLASSIFIED

0930 3/7/86

Dave

N 7822

non relevant information
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UML 12·30·86

- Nicaraguan Assistance
  - Habib
  - Triple A yesterday & Sunday show

P85
1/4/86
EC

- [redacted]

non relevant information
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5284

UML 12·30·86

1/22/

UNCLASSIFIED

PLAINTIFF'S DEPOSITION
EXHIBIT
Gadd 41
5-10-87

UNCLASSIFIED

Shultz meeting with President T/6

N 7823

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VML 12·30·86

☐ Got article President gave George

- Israel
  - Pollard, Cluster Bomb,
    Contracts of prohibited material,
    business with Iran (Bermuda)
  - George talked to Ed Meese.
  - Isolate the legal cases and prosecute. but
    don't let that impact our relations.

P. 86
12/4/86
EG
betw. 11/7/86 – 11/30/86

non relevant information
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and all of page 2.
VML 12·30·86

UNCLASSIFIED

Done. [illegible]

Weekly Mtg with President 7/9/86
- Middle East
  - Cairo - Amman Bank
  - Taba
  - West Bank Mayors
  - Shutting down PLO
  - VP Trip - Syria? ✡ Read Dennis's pap

P87 12/4/86 EG

N 7824

non relevant information deleted from this section

Uncl 12.30.86

UNCLASSIFIED

[illegible] [illegible]

0930 11/24/86 NSB

N 7825

non relevant information
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VML 12-30-86

SENIOR ADVISORS ON IRAN & MIDDLE EAST
- WHY WE STARTED
- EMISSARY
- REVIEW INTELLIGENCE

non relevant information
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VML 12-30-86

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0930 11/14/86 NSG Y

- SPEECH FOLLOW-UP
  - FINDING
  - IRANIAN AMB

N 7826

non relevant material deleted from this section 12.30.86 vml

☒ Israeli situation ...

pg 12/4/86 EG

UNCLASSIFIED

Done X

0930 · 11/12/86 WED NSB

N 7827

Non relevant information
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12·30·86
VML

- IRAN & HOSTAGES
  - 2 + 3 MAYBE
  - POSITIVE STATEMENT
    - FATWAH
  - PRESS GUIDANCE

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VML
12·30·86

☒ [illegible] statement

☒ [illegible] to Iran & Jenco

P90
12/4/86
GC

UNCLASSIFIED

0930 11/7/86 NSB FRIDAY 4/

- IRAN
  - FRANKFURT
  - AIRLINES & TELEPHONES
  - RESCUE - JACOBSEN
  - DOLE, BYRD, HAMILTON
  - STATE DEPARTMENT

P91 12/4/86

N 7828

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12·30·86
VML

UNCLASSIFIED

0930 8/14/86 Doi g?

- Contra Aid
- Talon

P91
12/4/86
cc

[redacted]

N 7829

non relevant material
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12·30·86
vmd

American engineers in Iran
Iran assets

UNCLASSIFIED

0930 7/2/86

Done. J

Non relevant material deleted from this section
12.30.86 vml

P92
12/4/86
EO

Nicaragua Program
– $400M in addition.

N 7830

Non relevant material
deleted from this section

12.30.86
VML

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C93= 7/1/86

N 7831

Non relevant material deleted from this section

12.30.86
VML

P93 12/4/86 FG

NICARAGUA REVIEW WED C93?
- CASEY, SHULTZ, WEINBERGER

non relevant material deleted from this section
12.30.86 VML

UNCLASSIFIED

0930 TUESDAY 5/27/86 9

Non relevant material deleted from this section 12·30

N 7832

P 94 12/4/86 EG

- Hostages
  - Bud's message
  - Bud NTC 1400 for Pres Ford
  - Iran North & Cave there

Non relevant material deleted from this section

12·30·86
VML

UNCLASSIFIED

0930 5/23/86

HOSTAGES
- BOD

p95 [illegible]

N 7833

Non relevant material
deleted from this section

12·30·86
VML

UNCLASSIFIED

0930 5/22/86

Don

N7834

Non relevant material deleted VML 12.30.86

- Hostages
  - Allen Report

R96 12/[illegible]86 834

Non relevant material deleted from this section

12.30.86
VML

UNCLASSIFIED

0930 3/20/86

Dave

Nicaraguan Assistance
- Flexible on Implementation Plan
- Calls today

[redacted]

N 7635

non relevant information
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VML
12.30.86

UNCLASSIFIED

0930 2/10/86

non relevant material deleted from this section
12-30-86 vml

- LETTERS TO CONTADORA
  - SHULTZ MEETING TODAY

N 7836

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12·30·86
vml

— - - '

- HOSTAGES
  - 17 FEB 500 TO IRAN

P94
12/4/86
EG

UNCLASSIFIED

0930 1/22/86

Lione

: FRED GOTTEMOELLER

- HOSTAGE FAMILIES
  - CHRISTMAS TREE LIGHTS DIMMED
  - LETTER

- COVERTNESS OF AID TO CONTRAS

N7837.

Non relevant material deleted from this section

12.30.86 UML

P. K 3
2 .. 4

[redacted]

P99
12/4 ..

UNCLASSIFIED ITIVE

1000 1/17/86

N 7838

- Hostages
  - Israel to Iran reporting problems
  - New Plan
    - Smith determination
    - 1000 [illegible] SLD
    - Downside
  - New Finding
    - Meese & Casey approve
    - Shultz & Weinberger still recommend against

P100 12/4/86

non relevant material

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12.30.86
vml

UNCLASSIFIED

0930 1/16/86

N 7839

non relevant material
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12.30.86 UmL

- JORDANIAN ARMS
  - MAR DATE

not done

- HOSTAGES
  - KILBURN
  - 4
    - 100K, FAIR MARKET VALUE, SHELF LIFE

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P101
12/4/86
EG

N 7840

UNCLASSIFIED

THE WHITE HOUSE
WASHINGTON

0930 7 Jan 1986

[redacted]

HOSTAGES
-- Shultz & Weinberger
-- Deals for hostages
-- Arms to Iran
-- Casey & Meese
-- Shultz [illegible] Meeting

P102
12/4/86
EG

non relevant material
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12·30·86 [illegible]

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N 7841

PRES
VP
SHULTZ
WEINBERGER
CASEY
MEESE
REGAN
JP

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22 Jun 85

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DENIED

IN

Total

(relevant portions)

N 8011 thru N 8016

⟨6 pgs⟩

6/22/85

PLAINTIFF'S DEPOSITION
EXHIBIT
Gaott #2
5-13-87

UNCLASSIFIED

3C APR86

Dom 4/30/86 **UNCLASSIFIED** N 28892

- ☒ Ask about contamination of food supplies and impact on future agriculture sales
- ☒ Day book for President
- ☒ Radio Speech — Task ASFA & Summit
- ☒ Estimate of total contamination of world
- ☒ 1330 Meeting with President.
  - SOVIET ACCIDENT
  - HOSTAGES
  -

Partially Declassified/Released on 1/25/?? under provisions of E.O. 12356 by B. Reger, National Security Council

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JM000F2-4
ERN 3/30/87

[illegible]
[illegible]
[illegible] #3
3-10-87 [illegible]

UNCLASSIFIED

[illegible]

FAMILY GROUP LUNCH 1/12/86 28893

J

- SOUTH YEMEN
- PHILIPPINES
- OPS IN MED
- ARMS SALES
- SOUTH AFRICA

☐ Future Agendas for FGL
  - LONG RANGE.
  - LUNCH.

Partially Declassified [illegible] on 1/20/88 under the [illegible] E.O. 12356 by B. [illegible] National Security Council

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JMP001-2-5
3/30/87
EG

no Date

N 31027

EXHIBIT

Unsubstantiated Charges

- Circumvented Congress (on law) (by not having CIA involved)

- Administration top (Senate confirmed) National Security Officials were not involved (or informed) and not queried on policy consequences
  - DoD, State, JCS, CIA all excluded
  - NSC staff not to be "operational"

- Arms for hostages is despicable and will invite (induce) more hostage taking
  - there are hostages in evidence

- [redacted] Administration Officials have hypocritically (with high moral tone) demanded that allies not sell arms to Iran while selling arms undercover
  - [redacted] lied to Allies (duplicitous)
  - can't trust word
  - undermines anti-terrorist efforts

5287

- Administration has violated neutrality in Iran-Iraq War (and opposed Ayatollah), risking shifting the precarious balance
  - double-~~[illegible] [illegible]~~ dealt the moderate Arabs
  - sided with Iran with disastrous foreign

P 29
12/1/86
Ed

UNCLASSIFIED

1/2533

UNCLASSIFIED N 31028

• short term tactical considerations (arms-for-hostages) has driven policy; and long term strategic objectives.

Add: not legal? (Wallison et al)

NSC goes it alone (cowboys)

UNCLASSIFIED

no date

UNCLASSIFIED

IRAN POLICY REVIEW

- STRATEGIC IMPORTANCE OF IRAN
- OBJECTIVES
  - MAKE CONTACT WITH MORE MODERATE elements in Iran and try to influence them toward a more moderate government.
  - Stop Iranian supported terrorism
  - Get hostages released
- FINDING – JAN 1986
- CHANNELS – IRAN
  - ISRAEL, GHORBANIFAR [redacted]
  - RAFSANJANHI [redacted]
- CHANNELS – HOSTAGES
  - NUMEROUS LEBANESE EFFORTS
  - [redacted]
  - KUWAIT & DAWA PRISONERS
- ~~[illegible]~~ ACTIONS TAKEN
  - MCFARLANE MAY TRIP TO TEHRAN
  - ~~CONVINCED IRAN OF SOVIET THREAT~~
  - SOLD 1000 TOWS & 240 TYPES HAWK MISSILE BATTERY PARTS (DEFENSIVE)
  - INTEL ORIENTED TOWARD FUTILITY OF WAR
  - NUMEROUS MEETINGS IN EUROPE
  - ONE MEETING IN US
  - GOOD FAITH, NOT MILITARILY SIGNIFICANT
- RESULTS
  - AFTER WEIR, JENCO, JACOBSEN, ANDERSON, SUTHERLAND AND BUCKLEY NO MORE HOSTAGES FOR A YEAR
  - THEN REED, CICCIPIO, TRACY

No

E.3

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PLAINTIFF'S DEPOSITION EXHIBIT
Gantt #5
5-10-87

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Treasury in FY85 approps. bill.

[redacted]

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N 8026

- Solid Contact with Rafsanjahni
- Convinced Iran of Soviet Threat
- Made case to Iran they can't win wa
- Told we accept their Revolution
- But must remove obstacle to Progres
  - -- Policy on Terrorism – Fatwah
  - -- Hostages must be returned

[redacted]

T-72 tank to U.S.

- Three hostages back
  - -- Weir, Jenco, Jacobsen

° Situation in Tehran

- Factions
  - -- Conservatives (opposed to war, interested in US relationship)
    Clerics, FM Velalati
  - -- Middle of Road
    Rafsanjanhi, Revolutionary Guard
  - -- Radicals (Terrorism, war, Revolut
    PM Musavi, Hashemi
  - -- Montazeri
    Hashemi, Son
- Hashemi
  - -- [redacted]
  - --
  - --
  - --
  - -- Arrested
- Exposure of Rafsanjahni
  - -- Montazeri – Pamphlet

UNCLASSIFIED

UNCLASSIFIED

N 5364

~~Nic Economic Sanctions~~

ODSM 3/25/85

[redacted]

Meeting with President 0930

- Discussed Speaking Breakfast
  private aid to Contras
  Bud covered our plan.
  - 3rd country assistance
  - non-lethal aid
  - intelligence restrictions
  - private humanitarian aid.

Tell Bud about Dick Walters.

2132

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1/25/88

UNCLASSIFIED 3

N 8027

-- MUSAVI CHANNEL
- RAFSANJANI SPEAKS OUT
-- COVERING HIS BACKSIDE
-- DELIBERATE ERRORS
-- DENIABILITY
-- DOMESTIC CONSUMPTION
-- WANTS TO CONTINUE
-- APPRECIATES NO COMMENT

o ISRAEL
- SLIGHTLY DIFFERENT OBJECTIVES
- PROBABLY SHIPPED MORE
- HOW WE STUMBLED ON TO IT
- PERES, SHAMIR, RABIN

o MODERATE ARABS
- IRAN-IRAQ WAR
NEGOTIATED SETTLEMENT
HONORABLE END
TERRITORIAL INTEGRITY
NO CHANGE
- [redacted]
-

UNCLASSIFIED

N 5365

UNCLASSIFIED

ODSM

3/26/85

[redacted]

UNCLASSIFIED

(date only) 1/25/88

4 N 8028

[redacted]

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- ALLIES
  - SKIRTS NOT CLEAN
  - STILL HAVE EMBARGO AND OPPOSE ARMS
- PLANNING
  - OPERATIONAL CHANNEL
  - LONG TERM STRATEGY CHANNEL
    - SANITIZING INTEL
  - HOSTAGE RESCUE

No

- USG
  - EXECUTIVE

    TOO MUCH TALK - ONE OF REASONS RESTRICTED INFO
  - CONGRESS

    BYRD, DOLE, LUGAR, HATCH, DURENBURGE

    FASCELL, HAMILTON, HYDE, WRIGHT
  - WORKING ON TESTIMONY
- STATEMENTS
  - INTEL COMMITTEES

UNCLASSIFIED

[illegible] No Date

UNCLASSIFIED

IRAN

N 7514

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by B. Reger, National Security Council

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PLAINTIFF'S DEPOSITION EXHIBIT
Gantt #6
5-[illegible]-87 Bach

~~TOP SECRET~~ UNCLASSIFIED SECRET SENSITIVE

RELEASE OF AMERICAN HOSTAGES IN BEIRUT N 7515

Background. In June 1985, private American and Israeli citizens commenced an operation to effect the release of the American hostages in Beirut in exchange for providing certain factions in Iran with U.S.-origin Israeli military materiel. By September, U.S. and Israeli Government officials became involved in this endeavor in order to ensure that the USG would:

-- not object to the Israeli transfer of embargoed materiel to Iran;

-- sell replacement items to Israel as replenishment for like items sold to Iran by Israel.

On September ~~14~~ 13, the Israeli Government, with the endorsement of the USG, transferred 508 basic TOW missiles to Iran. Forty-eight hours later, Reverend Benjamin Weir was released in Beirut.

Subsequent efforts by both governments to continue this process have met with frustration due to the need to communicate our intentions through an Iranian expatriate arms dealer in Europe. In January 1986, under the provisions of a new Covert Action Finding, the USG demanded a meeting with responsible Iranian government officials.

On February 20, a U.S. Government official met with [redacted] the first direct U.S.-Iranian contact in over five years. At this meeting, the U.S. side made an effort to refocus Iranian attention on the threat posed by the Soviet Union and the need to establish a longer term relationship between our two countries based on more than arms transactions. It was emphasized that the hostage issue was a "hurdle" which must be crossed before this improved relationship could prosper. During the meeting, it also became apparent that our conditions/demands had not been accurately transmitted to the Iranian Government by the intermediary and it was agreed that:

-- The USG would establish its good faith and bona fides by immediately providing 1,000 TOW missiles for sale to Iran. This transaction was covertly completed on February 21, using a private U.S. firm and the Israelis as intermediaries.

-- A subsequent meeting would be held in Iran with senior U.S and Iranian officials during which the U.S. hostages would be released.

-- Immediately after the hostages were safely in our hands, the U.S. would sell an additional 3,000 TOW missiles to Iran using the same procedures employed during the September 1985 transfer.

UNCLASSIFIED Declassify: OADR UNCLASSIFIED ~~TOP SECRET~~ SENSITIVE

In early March, the Iranian expatriate intermediary demanded that Iranian conditions for release of the hostages now included the prior sale of 200 PHOENIX missiles and an unspecified number of HARPOON missiles, in addition to the 3,000 TOWs which would be delivered after the hostages were released. A subsequent meeting was held with the intermediary in Paris on March 8, wherein it was explained that the requirement for prior deliveries violated the understandings reached in Frankfurt on February 20, and were therefore unacceptable. It was further noted that the Iranian aircraft and ship launchers for these missiles were in such disrepair that the missiles could not be launched even if provide

From March 9 until March 30, there was no further effort undertaken on our behalf to contact the Iranian Government or the intermediary. On March 26, [redacted] made an unsolicited call to the phone-drop in Maryland which we had established for this purpose. [redacted] asked why we had not been in contact and urged that we proceed expeditiously since the situation in Beirut was deteriorating rapidly. He was informed by our Farsi-speaking interpreter that the conditions requiring additional materiel beyond the 3,000 TOWs were unacceptable and that we could in no case provide anything else prior to the release of our hostages. [redacted] observed that we were correct in our assessment of their inability to use PHOENIX and HARPOON missiles and that the most urgent requirement that Iran had was to place their current HAWK missile inventory in working condition. In a subsequent phone call, we agreed to discuss this matter with him and he indicated that he would prepare an inventory of parts required to make their HAWK systems operational. This parts list was received on March 28, and verified by CIA.

Current Situation. On April 3, Ari Gorbanifahr, the Iranian intermediary, arrived in Washington, D.C. with instructions from [redacted] to consummate final arrangements for the return of the hostages. Gorbanifahr was reportedly enfranchised to negotiate the types, quantities, and delivery procedures for materiel the U.S. would sell to Iran through Israel. The meeting lasted nearly all night on April 3-4, and involved numerous calls to Tehran. [redacted] A Farsi-speaking CIA officer in attendance was able to verify the substance of his calls to Tehran during the meeting. Subject to Presidential approval, it was agreed to proceed as follows:

-- By Monday, April 7, the Iranian Government will transfer $17 million to an Israeli account in Switzerland. The Israelis will, in turn, transfer to a private U.S. corporation account in Switzerland the sum of $15 million.

-- On Tuesday, April 8 (or as soon as the transactions are verified), the private U.S. corporation will transfer $3.651 million to a CIA account in Switzerland. CIA will then transfer this sum to a covert Department of the Army account in the U.S.

-- On Wednesday, April 9, the CIA will commence procuring $3.651 million worth of HAWK missile parts (240 separate line items) and transferring these parts to [redacted] This process is estimated to take seven working days.

-- On Friday, April 18, a private U.S. aircraft (707B) will pick-up the HAWK missile parts [redacted] and fly them to a covert Israeli airfield for prepositioning (this field was used for the earlier delivery of the 1000 TOWs). At this field, the parts will be transferred to an Israeli Defense Forces' (IDF) aircraft with false markings. A SATCOM capability will be positioned at this location.

-- On Saturday, April 19, McFarlane, North, Teicher, Cave, [redacted] and a SATCOM communicator will board a CIA aircraft in Frankfurt, Germany, enroute to Tehran. [redacted]

-- On Sunday, April 20, the following series of events will occur:

  - U.S. party arrives Tehran (A-hour) -- met by Rafsanjani, as head of the Iranian delegation.
  - At A+7 hours, the U.S. hostages will be released in Beirut.
  - At A+15 hours, the IDF aircraft with the HAWK missile parts aboard will land at Bandar Abbas, Iran.

Discussion. The following points are relevant to this transaction, the discussions in Iran, and the establishment of a broader relationship between the United States and Iran:

-- The Iranians have been told that our presence in Iran is a "holy commitment" on the part of the USG that we are sincere and can be trusted. There is great distrust of the U.S. among the various Iranian parties involved. Without our presence on the ground in Iran, they will not believe that we will fulfill our end of the bargain after the hostages are released.

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SENSITIVE

N 7518

-- [redacted] Gorbanifahr specifically mentioned that Qhadhaffi's efforts to "buy" the hostages could succeed in the near future. Further, the Iranians are well aware that the situation in Beirut is deteriorating rapidly and that the ability of the IRGC to effect the release of the hostages will become increasingly more difficult over time.

-- We have convinced the Iranians of a significant near term and long range threat from the Soviet Union. We have real and deceptive intelligence to demonstrate this threat during the visit. They have expressed considerable interest in this matter as part of the longer term relationship.

-- [redacted]

-- The Iranians have been told that their provision of assistance to Nicaragua is unacceptable to us and they have agreed to discuss this matter in Tehran.

-- We have further indicated to the Iranians that we wish to discuss steps leading to a cessation of hostilities between Iran and Iraq. [redacted]

-- The Iranians are well aware that their most immediate needs are for technical assistance in maintaining their air force and navy. We should expect that they will raise this issue during the discussions in Tehran. Further conversation with Gorbanifahr on April 4, indicates that they will want to raise the matter of the original 3,000 TOWs as a significant deterrent to a potential Soviet move against Iran. They have also suggested that, if agreement is reached to provide the TOWs, [redacted]

-- The Iranians have been told and agreed that they will receive neither blame nor credit for the seizure/release of the hostages. [redacted]

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SENSITIVE

N 7519

-- The residual funds from this transaction are allocated as follows:

  - $2 million will be used to purchase replacement TOWs for the original 508 sold by Israel to Iran for the release of Benjamin Weir. This is the only way that we have found to meet our commitment to replenish these stocks.

  - $12 million will be used to purchase critically needed supplies for the Nicaraguan Democratic Resistance Forces. This materiel is essential to cover shortages in resistance inventories resulting from their current offensives and Sandinista counter-attacks and to "bridge" the period between now and when Congressionally approved lethal assistance (beyond the $25 million in "defensive" arms) can be delivered.

The ultimate objective in the trip to Tehran is to commence the process of improving U.S.-Iranian relations. Both sides are aware that the Iran-Iraq War is a major factor that must be discussed. We should not, however, view this meeting as a session which will result in immediate Iranian agreement to proceed with a settlement with Iraq. Rather, this meeting, the first high-level U.S.-Iranian contact in five years, should be seen as a chance to move in this direction. These discussions, as well as follow-on talks, should be governed by the Terms of Reference (TOR) (Tab A) with the recognition that this is, hopefully, the first of many meetings and that the hostage issue, once behind us, improves the opportunities for this relationship.

Finally, we should recognize that the Iranians will undoubtedly want to discuss additional arms and commercial transactions as "quids" for accommodating [redacted] Nicaragua, and Iraq. Our emphasis on the Soviet military and subversive threat, a useful mechanism in bringing them to agreement on the hostage issue, has also served to increase their desire for means to protect themselves against/deter the Soviets.

RECOMMENDATION

That the President approve the structure depicted above under "Current Situation" and the Terms of Reference at Tab A.

Approve _____ Disapprove _____

Attachment
Tab A - U.S.-Iranian Terms of Reference

SECRET UNCLASSIFIED SECRET SENSITIVE

April 4, 1986

TERMS OF REFERENCE
U.S.-Iran Dialogue

N 7520

I. BASIC PILLARS OF U.S. FOREIGN POLICY (Optional)

-- President Reagan came into office at a time when Iran had had a certain impact on the American political process -- perhaps not what you intended.

-- The President represented and embodied America's recovery from a period of weakness. He has rebuilt American military and economic strength.

-- Most important, he has restored American will and self-confidence. The U.S. is not afraid to use its power in defense of its interests. We are not intimidated by Soviet pressures, whether on arms control or Angola or Central America or Afghanistan.

-- At the same time, we are prepared to resolve political problems on the basis of reciprocity.

-- We see many international trends -- economic, technological, and political -- working in our favor.

II. U.S. POLICY TOWARD IRAN: BASIC PRINCIPLES

A. U.S. Assessment of Iranian Policy.

- We view the Iranian revolution as a fact. The U.S. is not trying to turn the clock back.
- Our present attitude to Iran is not a product of prejudice or emotion, but a clear-eyed assessment of Iran's present policies.
- Iran has used "revolutionary Islam" as a weapon to undermine pro-Western governments and American interests throughout the Middle East. As long as this is Iran's policy, we are bound to be strategic adversaries.
- Support of terrorism and hostage-taking is part of this strategic pattern. We see it used not only against us, but against our friends. We cannot accept either. Your influence in achieving the release of all hostages return of those killed (over time) is essential.

- We see your activity in many parts of the world, including even Central America.

- The U.S. knows how Iran views the Soviet Union. But subversion of Western interests and friends objectively serves Soviet interests on a global scale.

- Thus, our assessment is that a decisive Iranian victory in the war with Iraq would only unleash greater regional instability, a further erosion of the Western position, and enhanced opportunities for Soviet trouble-making.

- The U.S. will therefore do what it can to prevent such a development. We regard the war as dangerous in many respects and would like to see an end to it.

B. Possible Intersections of U.S.-Iranian Interests.

- Despite fundamental conflicts, we perceive several possible intersections of U.S. and Iranian interests. I propose we explore these areas.

- First, the U.S. has had a traditional interest in seeing Iran preserve its territorial integrity and independence. This has not changed. The U.S. opposes Soviet designs on Iran.

- Second, we have no interest in an Iraqi victory over Iran. [redacted] We are seeking an end to this conflict and want to use an improved relationship with Iran to further that end.

- Third, we have parallel views on Afghanistan. Soviet policy there is naked aggression, a threat to all in the region. [redacted] But our objective is the same: the Soviets must get out and let the Afghan people choose their own course.

C. U.S. Objective Today.

- We have no illusions about what is possible in our bilateral relations. Perhaps this meeting will reveal only a limited, momentary, tactical coincidence of interests. Perhaps more. We are prepared either way.

- In essence, we are prepared to have whatever kind of relationship with Iran that Iran is prepared to have with us.

N 7522

III. SOVIET MILITARY POSTURE

-- Moscow has designs on parts of Iran. [redacted]

-- Afghanistan illustrates the price the Soviets are ready to pay to expand areas under their direct control.

-- Summarize Soviet capabilities along border and inside Afghanistan which could threaten Tehran.

-- U.S. is aware of Soviet activity [redacted]

-- Soviet plans [redacted] How they would do it.

-- Iranian support to Sandinista regime in Nicaragua aids and abets Soviet designs -- makes U.S.-Iranian relationship more difficult ($100 million in oil last year, plus arms).

-- U.S. can help Iran cope with Soviet threat.

IV. AFGHANISTAN

-- May be real value for Iran and U.S. to find ways to cooperate against Moscow in Afghanistan.

-- U.S. can provide humanitarian assistance for refugees [redacted]

-- We need to know who you work with, what you already provide, and devise strategy to exploit Iranian comparative advantage.

V. HARDWARE

-- We may be prepared to resume a limited military supply relationship.

-- However, its evolution and ultimate scope will depend on whether our convergent or our divergent interests come to loom larger in the overall picture.

-- What does Iran want?

29 JAN 85

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N 5362

ODSM 1/29/85

☒ Check on summary sheets for Compliance.

☒ Call Ken Dam on C.A. Strategy.

☐ What is the real story on FDN atrocities.

☒ [redacted]

ODSM 1/30/8

[redacted]

5290

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1/25/88

PLAINTIFF'S DEPOSITION EXHIBIT
GarH #9
5-19-87 [illegible]

23 MAY 86

N 28884

5/23

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Ray,

Please draft a short cover memo for the President and a response to include the following

. Admit the problems of the past including the mistakes while in covert pg. Point out factual errors when they exist. Summarize the review conducted end of 1985 and the unanimous commitment by cabinet officers in Jan 86 and our campaign to get funds. Describe the mood on the Hill and our inability so far to break the funds loose. Admit the error in appointing Motley. Now things work under Abra

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[illegible] 1/25/88

N 28885

I suspect this is pure Menger.

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No Date

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1) IRAN

N 7606

- various factions
- meet again and insist on all factions

2) CAPTORS

[redacted]

3)

4) CONGRESSIONAL

5) MEDIA
- No comment

6) EUROPEAN ALLIES
- Get out

7) ISRAEL
- Nir keep quiet

8) USG
- long term strategy for Iran

9) [redacted]

- Very few people that know everything
- Works up Congressional testimony to intelligence committees
  - emphasis on long term strategy

☒ [redacted]

☒ Talk to Ollie about details

1/25/8

☐ Call Lee Hamilton

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Gadd #9

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2A

RPTS CANTOR

DCMN DONOCK

ORIGINAL

DEPOSITION OF ELLEN CLAYTON GARWOOD

Wednesday, March 18, 1987

CORRECTED

House of Representatives,
Select Committee to Investigate
Covert Arms Transactions with
Iran,
Washington, D.C.

The select committee met, pursuant to call, at 11:00 a.m. in Room B-336, Rayburn House Office Building.

Present: Thomas Fryman, Staff Attorney; George W. Van Cleve, Chief Minority Counsel; Ken Buck, Minority Counsel, House Select Committee to Investigate Covert Arms Transactions with Iran

James Kaplan, Associate Counsel and Timothy Woodcock, Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Contras.

Also Present: Duncan E. Osborne and Tom Loeffler, on behalf of the witness.

Whereupon,

4106

Partially Declassified/Released on DEC 28 1987
under provisions of E.O. 12356
by D. Sirko, National Security Council

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ELLEN CLAYTON GARWOOD

was called as a witness and, having been duly sworn, was examined and testified as follows:

MR. FRYMAN: On the record.

BY MR. FRYMAN:

Q Will you state your name for the record?

A Ellen Clayton Garwood, Mrs. St. John Garwood.

Privacy

Q Mrs. Garwood, what is your address?

A [redacted] Austin, Texas 78701.

Q Are you appearing here today pursuant to a subpoena?

A Yes.

Q I ask the reporter to mark this document as Garwood Deposition 1, for identification.

[The following document was marked as Garwood Ehxibit 1 for identification:]

xxxxxxxxxxx COMMITTEE INSERT xxxxxxxxx

. BY MR. FRYMAN:

. Q I show you Garwood Exhibit 1 for identification, and ask you to look at that and tell me if that is a copy of the subpoena that was served on you?

. A It looks like it.

. Q Would you look at the attachment also?

. A Yes.

. Q Thank you.

. Mrs. Garwood, are you a widow?

. A Yes.

. Q And what was your husband's occupation?

. A He was a Judge of the Supreme Court of Texas, and he retired. He was a Judge from 1948 to 1958 on the Supreme Court of Texas.

. Q And would you state for the record your educational backround?

. A I went to Smith College to get a B.A. in English, and later I went to the University of Texas and got my Master's in English, after we moved to Austin, which was about 1949-1951.

. Q Have you ever published any articles or books?

. A I have published books and an article or so, and some short stories.

. Q How many books have you published?

. A Three.

. Q Could you identify the books?

. A Yes. You want me to tell you the names?

. Q Yes, would you tell me the names?

. A ''Will Clayton, A Short Biography.'' That was published by the University of Texas in 1948. No, excuse me, 1958 1956, then ''Come to Me, ~~Maeghan~~ [illegible],'' which was published about two years ago, a novel, and ''The Undying Flame, Mariano~~and~~ Moreno of Buenos Aires,'' which was published in the spring of 1986.

. Q And I believe you stated you have also published articles?

. A Yes. I published an article on early Texas I... ~~independence~~ in the Southwestern Historical Quarterly, I think around 1950 or so, and I wrote some historical articles also for the Houston Chronicle, around the same time.

. Q Mrs. Garwood, after receiving the subpoena which calls for production of various categories of documents, would you state what steps you had taken to collect the documents called for in the subpoena?

. A A good example of the documents called for in the subpoena, I didn't have, it seems to me. The other things like the copy of cancelled checks or the cancelled checks and the correspondence and brochures I went about collecting.

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. My lawyer collected the cancelled checks, Duncan, and I checked the brochures and the correspondence and anything else that was called for.

. Q And did you give your lawyer, Mr. Osborne, a copy of the subpoena?

. A Yes.

. Q And you asked him to collect any basic material that was called for in there; is that correct?

. A Yes, that is right.

. Q And am I correct in understanding the correspondence you collected yourself?

. A Well, the correspondence, yes, I collected. I already had it collected, and I gave copies of it to Mr. Osborne.

. MR. FRYMAN: I would ask the reporter to mark as Garwood Exhibit 2 for identification a collection of documents headed by a typewritten financial schedule with the phrase, ''American Conservative Foundation,'' on the first line.

. [The following document was marked as Garwood Ehxibit 2 for identification:]

********** COMMITTEE INSERT *********

UNCLASSIFIED

. MR. FRYMAN: I ask the reporter to mark as Garwood Exhibit 3 for identification a collection of documents, the first page of which is a mailgram directed to Ellen and St. John Garwood.

. [The following document was marked as Garwood Ehxibit 3 for identification:]

********** COMMITTEE INSERT *********

UNCLASSIFIED

. MR. FRYMAN: I ask the reporter to mark as Garwood Exhibit 4 for identification a collection of documents, the first page of which is a letter dated December 7, 1981 to Western Goals Endowment Fund.

. [The following document was marked as Garwood Exhibit 4 for identification:]

********** COMMITTEE INSERT *********

UNCLASSIFIED

. BY MR. FRYMAN:

. Q Mrs. Garwood, I ask you and your attorney, Mr. Osborne, to look at Garwood Exhibits 2, 3 and 4 for identification, and tell me if those are the documents that you have together collected in response to the subpoena and previously produced to staff counsel to the House Committee?

. Mrs. Garwood, you and your counsel have had an opportunity to review Garwood Exhibits 2, 3, and 4. Do those exhibits contain copies of documents either in your possession or financial materials relating to your bank accounts that were collected at your direction?

. A They do, yes.

. Q And are only those two categories of materials in those exhibits, i.e., those exhibits compose exclusively either documents that were in your possession or financial materials at your direction relating to your accounts?

. A Yes.

. Q And is it your belief that Garwood Exhibits 2, 3, and 4 contain copies of all of the documents in your possession or under your control that were called for in the exhibits or attachments to the subpoena that was served upon you, which is Garwood Exhibit 1?

. A Yes, sir.

. Q Mrs. Garwood, some of the materials in Garwood Exhibit 2 relate to a bank account at the Interfirst Bank in

Austin, Texas. Do you have bank accounts at any bank other than that bank?

. A No, not that I know of.

. Q And how many accounts do you or entities that are related to you are there at that bank?

. A The account. I only have one account that I write checks on. That is the only one I know.

. Q And do you have any foundations with which you are associated?

. A Yes.

. Q And what is the name?

. A The Patrick Henry Foundation.

. Q Is that the only foundation?

. A Yes, sir.

. Q And does that foundation have an account also at the Interfirst Bank?

. A Yes.

. Q Does it have accounts at any other bank?

. A I don't think so.

. Q So, so far as you know, all of your financial transactions insofar as they involve a bank are conducted through the Interfirst Bank in Austin?

. A Yes.

. Q Is that correct?

. A That is right.

. Q Mrs. Garwood, do you know an individual named Oliver North?

. A Yes, sir.

. Q When did you first meet Mr. North?

. A I met Mr. North in May of 1984 at Williamsburg, at a meeting of a group that I belong to, a conservative group, at the swimming pool.

. Q What was the name of the group?

. A It was the Council for National Policy.

. Q And what was the nature of this meeting?

. A It meets four times a year, and they are all interested in policy, in the national policy--a conservative type of national policy.

. Q Who introduced you to Mr. North?

. A Mr. Andy Messing.

. Q Was this a meeting that went on for several days at Williamsburg?

. A It goes on for a ~~[illegible]~~ couple of days, usually.

. Q And how long did you meet with Mr. North on this first occasion?

. A I would say about 15 minutes.

. Q And was it just you, Mr. North and Mr. Messing that were present, or were other present?

. A There were other people all around the swimming pool, and we were just in the little group, you know, by ourselves, but there were many people around the pool.

. Q Was it just the three of you in the group, or were others in the group?

. A No, there were no others in the group, just the three of us.

. Q And what was the subject matter of the conversation between the three of you?

. A I think it was social, you know, ''It is good to be here in the summer or in the spring and be able to swim,'' things of that sort. It really wasn't political.

. Q There was no discussion of American foreign policy or any national policy issue at that first meeting?

. A I don't remember if there were. I don't think so.

. Q Have you met Mr. North since that occasion?

. A Yes.

. Q In May of 1984? Do you recall the next occasion?

. A The next occasion, I must look at my little list here. It must have been in June of 1985, and there was a meeting of contributors to Mr. Channell's organizations in Washington, and I was there for that reason.

. Q And where was that meeting?

. A That was at the Hay-Adams Hotel. There was possibly, and I am not sure of this, a White House briefing at that time, too, but I think there was, and it was over in the Executive Office Building.

. Q And how long did you spend with Mr. North at this meeting in June of 1985?

. A Oh, probably 20 or 30 minutes, something like that.

. MR. OSBORNE: Off the record.

. [Discussion off the record.]

. MR. FRYMAN: Back on the record.

. BY MR. FRYMAN:

. Q Mrs. Garwood, I have been asking you about your second meeting with Mr. North, and you indicated you thought it occurred in June of 1985. Are you certain that that was the month of the meeting or might it have been in that general period?

. A It might have been in the general summer of 1985. It could have been in August. I am not sure. I know I have a travel notation that I went to Washington in June, but it could have been that I also went in August.

. Q And you recall that this meeting was at the Hay-Adams Hotel?

. A Yes.

. Q And your meeting with Mr. North was approximately 20 minutes, I believe you said?

. A Yes, in his office.

. Q Did you meet with Mr. North both at the Hotel and at his office?

. A I don't remember if he were at the Hotel or not. I remember one meeting when he did come to the Hotel, but I am not sure whether it was this meeting or not, but to just talk socially to the group of contributors.

Q But, the substantive meeting with Mr. North, if I might describe it that way?

A Yes.

Q Occurred at his office?

A At his office.

Q On this occasion?

A Yes.

Q And who else was present at that meeting?

A Mr. Channell took me over there to Colonel North's office.

Q Had you known in advance that you were going to be meeting with Mr. North?

A I don't remember. I doubt it.

Q So, you recall what Mr. Channell said about the meeting before he took you over there?

A ''I want you to meet Colonel North.'' I am not sure exactly, but I know more or less that Colonel North--well, I knew already that he had planned Grenada. Andy Messing had told me that, and so I knew he was interested in freedom fighters and the democratic resistance in Nicaragua.

I knew that in a vague general way.

Q So, Mr. Channell then took you over to Mr. North's office?

A Yes.

Q And the three of you met for approximately 20 minutes, as you recall?

A Approximately 20 minutes.

Q What was the subject matter of that discussion?

A As I remember, he showed us a map of Nicaragua, of Central America really, and showed the advances that had been made by the freedom fighters, and that was the general discussion of freedom fighters, the cause of freeing Nicaragua of the communist Sandinistas.

More than that, I really don't remember.

Q Was there any discussion of American support for the contras?

A No, because I think we all realized that the Administration was supporting this resistance movement.

Q Was there any discussion of any lack of military supplies or other supplies?

A No, sir, there was not.

Q Was there any discussion during this meeting of any contribution that you might make in any way to the contra cause?

A I don't remember. I don't think so. Colonel North never discussed or never asked me for a donation. If there were discussion of this, it would have been after we had left Colonel North's office between Mr. Channell and myself.

. Q On this occasion in June of 1985, did you have any discussion of that sort with Mr. Channell after you left Colonel North?

. A There was probably discussion. There was always--one of the purposes of the contributors to Mr. Channell's organizations was to help the resistance movement and, you know, help with humanitarian aid for the resistance fighters aganst the Sandinista Government. This was generally understand, I think.

. Q Did Mr. Channell use the phrase in discussions with you, ''humanitarian aid''?

. A Yes, the President had used it, and we had also used it.

. Q What did you understand that to mean?

. A I understood it to mean things like medicine and food, perhaps primarily food, and boots and clothing, and perhaps the transport of the supplies in boats or trucks, things of that nature, ambulance supply.

. Q Did you understand that any of the funds that were being contributed to Mr. Channell's organization were ever being used for any publicity purposes within the United States?

. A No. Well, some of his organizations, yes, but later on, not at this meeting, but later on, it did develop about the time when there were going to be new elections for Congress, that he would use the records of the Congressmen in ads to influence the voters in their evaluation of the Congressmen.

. Q And what point in time was that?

. A It would have been somewhere [redacted], when there were

E.6

elections [redacted], maybe about a year or six months before 1986, at the time when there were going to be Congressional elections, close to it.

. Q And one of the purposes of the funds in his organization was to use those funds for publicity or information purposes in connection with those campaigns?

. A This is true, yes.

. Q And another purpose throughout the period was what you understood as humanitarian aid to the contras?

. A Yes, sir.

. Q Going back, Mrs. Garwood, to the chronological history of the meetings with Mr. North, the second meeting we have been talking about occurred in Mr. North's office. When was the next occasion which you met with Mr. North?

. A It seems to me the next occasion was in Dallas, when I was meeting with the United States Council for World Freedom, another organization that helps freedom fighters all over the world, in other countries as well, Afghanistan, Angola.

. Q And was this a meeting of the U.S. Council that extended over several days?

. A It was, yes.

. Q And how long was Mr. North there?

. A Well, he was only there--he wasn't at the meeting. We met him--Mr. Channell appeared at the meeting, and I was surprised that he had come. He evidently knew I was there, and wanted to get me into contact with Colonel North, and told me that he wanted to take me that evening after dinner to the airport, where Colonel North was going to be stopping on his way somewhere else.

. Q So, you met at the airport in Dallas?

. A Yes, at an airport there, a small airport.

. Q And that was you, Mr. Channell and Mr. North?

. A And Mr. North, and Mr. Colero was there also. He was a member or a delegate to the general meeting, you know, the U.S. Council of World Freedom meeting, Mr. Colero was.

. Q What was Mr. Colero's full name?

. A Adolfo Colero.

. Q And what was his position?

. A Well, we know that he was the head, one of the heads it turned out later, of the FDN, the democratic resistance of Nicaragua, Nicaraguan democratic resistance.

. Q So, the meeting at the airport was with the four of you?

. A Yes, and there was someone else there whom I don't remember, probably an official maybe.

. Q And approximately when was this meeting?

. A This was in September of 1985.

. Q And about how long did this meeting with Mr. North and Mr. Colero last?

. A And Mr. Channell. It was about, I would say, it was around a half an hour meeting.

. Q What was the subject matter at this meeting?

. A As I remember it, it was that some of the supplies that had been voted for the ~~contras~~ Contras were not arriving, and they were being held back. They didn't have trucks to take them across the border.

. I understand it was from Honduras to Nicaragua, and there was some State Department directive that had held everything up, and that wouldn't allow them over in trucks, or wouldn't supply trucks, and they needed to buy trucks to get them over.

. Q What sort of supplies were they talking about?

. A Well, they were talking about supplies for the existence of these people, like humanitarian supplies, you know.

. Q Were they talking about arms, also?

. A No, they were not.

. Q So, they were only talking about trucks to transport?

A Yes.

Q Boots and medicine, as you understand it?

A Yes. As I understand it, the supplies had already been approved by the State Department, but the way to take them over was not, for some ridiculous reason, and so they were in a tight situation, where the supplies were there, but couldn't get across the border.

Q And were they asking for any assistance from you?

A Well, the general tenor of the thing was that assistance was needed, and directly asked me.

Q Did you meet with Mr. Channell alone after the meeting with Mr. North and Mr. Colero?

A Oh, yes, Colonel North left and then Mr. Channell took me back in a taxi to Dallas, outside of Dallas, and then he said, ''You know, you can help. It will cost so much, and can you help with that?''

And I said I would.

Q Did he ask for any specific sum of money?

A He always did ask for a specific sum, yes. He asked for 32,000, as I remember.

Q Did he specify how you should make the contribution?

A To his organization, NEPL?

Q After the meeting which I believe is the third meeting you described with Mr. North in September 1985 at the airport outside Dallas--

A That is right.

Q When did you next meet with Mr. North?

A I have in my memory that it was in January of 1986.

Q And where was that meeting?

A We had a briefing at the White House, and I think the meeting--as a rule, we were put up at the Hay-Adams, and there was a briefing at the White House where Colonel North spoke, Elliot Abrams, Assistant Secretary of State for Latin America spoke, and President Reagan spoke.

Q How many people approximately were in this group?

A Well, there was a long table about twice as long as this, and they went all around the table this way and that way, so I would say about 24 maybe, something like that, 20.

Q And the three speakers at the meeting were North, Abrams and the President?

A That is what I remember.

Q And how long did this briefing last?

A I would say about an hour and a half, something like that.

Q Did you speak alone with Mr. North at any point during this day?

A Not then, no, no.

Q What was the subject matter of the briefing?

A The briefing was about the situation in Central

America and the danger of another Cuba being set up in the Western Hemisphere, and the fact that there was a popular resistance democratic movement trying to stop this, and to overthrow the communist-dominated government, which has betrayed the so-called revolution against Somoza, by not being a popular revolution or democratic, being communistic instead, and the general situation of the danger of this sort of thing happening in Central America, and the way the Administration hoped to be able to prevent it.

Q Was Mr. North the first speaker?

A I think he was, yes.

Q And then Mr. Abrams?

A Yes.

Q And then the President?

A And then the President, yes.

Q Was the final speaker. Was there any discussion of any needs that the contras had at that point, in terms of any sort of materials or humanitarian aid?

A I don't really remember. I know that the President had already publicly asked for humanitarian aid for the freedom fighters, and this was generally understood.

I think he asked several times publicly in speeches, and whether he reiterated this, he may have. I don't remember. It was so understood that it wouldn't have stood out if he had said anything about it.

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. Q What did you understand to be the purpose of the briefing that was being held for this group?

. A Well, I understood that it was to brief them in on a bit of the history of the dangers that were facing the United States, our country, and Mr. Mario Colero said, the freedom fighters are the target of the communists against the Central American countries.

. It is not Central America, it is the United States. And I think we all realized this, that that was the target, the eventual target.

. Q What did you understand to be the reason why you were invited to this briefing?

. A Well, because I had been an enthusiastic support Supporter of President Reagan, and of his foreign policy as far as fighting against the communist influence in Central America was concerned. I certainly had been, and very much, for SDI also.

. Q You say there were approximately 24 people at the meeting.

. A It seemed to me there were about that many.

. Q What other people do you recall attending in the group, other than yourself and the three speakers?

. A There was a Mr. and Mrs. Ramsey from Wichita Falls. It seems to me there was a Mr. And Mrs. Pentacost, a strange name, from near the border, the southern border between

Texas and Mexico, and then there was a Mr. and Mrs. Warm. It seems to me they were from the east somewhere, from either the east or--they were from the north. It might have been Ohio.

. Q Is that W-a-r-m?

. A W-a-r-m, yes. Let's see if I can think of some others.

. I can think of other people whom I met from time to time in these groups that would meet to discuss helping the democratic resistance. Whether they were at that meeting or not, I do not know.

. Q Was Mrs. Newington at that meeting?

. A I never really met Mrs. Newington to be sure that it was Mrs. Newington. I met someone in a wheelchair once. It could have been Mrs. Newington, but I don't remember the name.

. Q Was Mr. Claggett at that meeting?

. A Claggett?

. Q Yes.

. A No, I don't remember.

. Q Mr. Brandon?

. A I don't remember that name, either. I remember a Mr. Bennett from San Antonio who was there at one of the meetings, and I had known him before quite well, Mr. John Bennett. I don't remember whether he was at this meeting or not.

. Q Was Mr. Hooper at the meeting?

. A I don't remember that name.

. Q Who made the arrangements for this meeting at the White House?

. Was it Mr. Channell?

. A Mr. Channell did.

. Q Did you have any contact with anyone in the White House itself about this meeting?

. A No.

. Q Did you have any discussion with the President on that day other than the discussion in the group that you have described?

. A After the President finished speaking, we each came up to shake hands with him separately and were introduced as we came up, and I gave him the book about my father, ''Will Clayton, A Short Biography,'' and he thanked me for it, said he was going to put it in the Presidential Library or something like that.

. Q And I believe you have testified on that day, you had no separate discussion with Mr. North; is that right?

. A That is correct.

. Q Was any discussion with Mr. Channell during this visit to Washington in the Hay-Adams about contributions?

. A I think there might have been, because I wrote him a

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check on a small purse bank book check.

. Q Osborne, can we go off the record here?

. [Discussion off the record.]

. BY MR. FRYMAN:

. Q Mrs. Garwood, you used the phrase ''small check.'' What do you refer to when you use that phrase?

. A I refer to the purse check, the small bank book that I keep in my purse, which includes small size checks.

. Q Is that a folding check book?

. A No, it doesn't fold.

. Q It is just a smaller book.

. A It is a smaller book.

. Q That will fit into your pocketbook.

. A That is right.

. Q And do you have a different type of checkbook that you keep at your desk?

. A Yes.

. Q And how would you describe that checkbook?

. A Well, that has three checks to a page, and they are longer checks, and there are stubs, which you don't have in your other purse checkbook, which is quite a deprivation. You have to write it down in another little book.

. Q You describe the checks in your purse as the small checks.

. A That is right.

. Q Do you have any shorthand description for the checks at your desk?

. A No. Those are just regular checks. The small check also has a smaller number, I think as Duncan pointed out. I have down here checks 331 for $55,000. They are smaller numbers.

. The ones--this is the three checks to a page book, begin with 6,000 or something like that.

. Q During this meeting at the Hay-Adams, there was a discussion you recall with Mr. Channell about further contributions?

. A Yes.

. Q Do you recall any discussion during the briefing at the White House about contributions?

. A I don't think they were ever that blunt in the briefings.

. Q Were they more oblique?

. A Yes, I guess that is what you would say.

. Q How would you describe how they proceeded?

. A Well, the situation was to trace in something of the history of the region of Central America, and then the danger to the United States and the fact that there was a group, a growing group of resistance fighters that needed help, and naturally, we knew that because the President had asked for help for them from Congress, and it hadn't been voted at this time except a lesser amount than he had asked for, and so, we knew that they were in need, and this was, I am sure, stressed also in these talks, that with help from the United States, which we hoped to get from Congress and hoped to get from private people also, the humanitarian aid that the President had asked for, that they could make a good deal of progress and establish a democracy.

. Q Was it stressed that they needed anything more than humanitarian aid?

. A No.

. Q Was that mentioned at all?

. A No, no, that wasn't mentioned at all.

. Q There was no indication of any shortage of military supplies?

. A No.

. Q Of any sort?

. A No, no statement like that at all. Of course, we knew they did need military supplies, because the President had asked for military supplies, everybody knew that, as well as the other supplies, and the Congress had only voted what I guess they called non-lethal aid, but he was going to ask again, and we knew that.

. I don't remember anybody saying, you know, they are badly in need of arms right now or anything like that, but we knew that they were, because the President had asked

Congress to help them in that way.

. Q Did you understand that any steps were being taken in any way to meet this shortage of military supplies at this time?

. A I didn't understand anything like that, no, except that we were going to keep on asking Congress and hoping that Congress would vote it. In fact, pretty soon, the Senate did vote the military supplies, and the House didn't.

. Q Following this meeting that you have described at the Hay-Adams in January of 1986, and the briefing at the White House, in which Mr. North participated, what was the next occasion that you met Mr. North?

. A It was in April of 1986.

. Q And where was that meeting?

. A That was also, I am sure it was at the Hay-Adams, where we usually stayed, the contributors to the Channell organizations, it was called by Channell.

. Q And what was the circumstances of your meeting with Mr. North on that occasion? Was it a group meeting or was it an individual meeting you had?

. A There was a group meeting, and then there was also an individual meeting that Mr. Channell asked me to come to, and he said Colonel North would meet us.

. Q How large was the group meeting?

. A The group meeting--well, remember that the last group meeting where we had a briefing at the White House I thought was around 20 people. Sometimes it would be that many, as a rule it would be less, though, around 12 or something like that.

. Q Where was the meeting held?

. A I think it was held at the Hay-Adams.

. Q In a private meeting room of some sort?

. A In a luncheon room or something like that. We did have a luncheon, I think.

. Q And Mr. North attended. Was there any other outsider?

. A No. Colonel North did not come to that meeting, as I remember, with the other people, but Mr. Channell had told me before coming up that I was going to be presented with a need for a great deal more money than I had--a much larger donation to aid the freedom fighters--than I had been before, and so I wasn't surprised when he said, I think it was the last day of the meeting, of the group's meeting, that he wanted me to meet him after dinner in the cocktail lounge in the Hay-Adams, and that Colonel North was going to come over and paint a picture of what had happened to the freedom fighters.

. Q How long did the group meetings go on?

. A I can't really be sure how long they went on.

. Q Was it more than one day?

A It was more than one day, yes. It seems to me it was.

Q Was there a series of speakers at the group meeting?

A Sometimes there would be a dinner at the Hay-Adams, and then there would be--I know one meeting where they had a dinner and Elliot Abrams spoke, and Mr. Mario Colero spoke, and there might have been someone else, but I don't remember who it was, but I do know at one meeting, and it could have been this time, I am not sure.

Q If the meeting extended more than one day, am I correct that there would have been several speakers at the group meeting?

A There were, at two or three meetings that I remember, there were speakers, but usually it was at a dinner meeting or a luncheon meeting, and that was the way that it was done.

Q And at this meeting in April 1986 that the group attended, could you describe the central substance of the meeting? I don't want to go over this, repeat myself. Let me ask another specific question.

Was there any emphasis on particular needs of the contras at that point?

A No. I don't remember, unless, you know, it was emphasis on the fact that they were still in need of the aid that the President was trying to get Congress to vote. This is the April meeting you are talking about.

. Q Yes, I am talking about the April 1986 meeting. How would you generally describe then the subject matter of this group meeting?

. A Well, the subject was just exactly what I have said, you know. It was the aid that was needed for the resistance, the democratic resistance in Nicaragua. It was the description of how we could persuade Congress ~~that~~ whether there was any way to persuade Congress to vote it, and there must have been descriptions of ads that would be put in newspapers in the Districts of the Congressmen, things like that, what methods would there be?

. Would there be any help in putting an ad in the Washington Times, which was sometimes done, describing the need for Congress to vote the funds for the freedom fighters that had been asked by the President, that sort of thing.

. Q And did you understand that Mr. Channell's organization was to take steps in these areas, for example, that they were to be involved in placing ads in Districts of particular Congressmen?

. A Oh, yes, yes.

. Q And taking out advertisements?

. A Yes.

. Q In the Washington Times?

. A Yes.

Q And what did you understand to be the source of financing for these activities?

A The people who were at the meeting.

Q The contributions to Mr. Channell?

A Surely.

Q Including National Endowment for the Preservation of Liberty?

A Well, now, that wouldn't have been used for the ads. It would have been used only for humanitarian aid.

Q What would have been used for the ads?

A The American Conservative Trust would have been used, and there is something called ATAC, they called it ATAC, Against Terrorism, American Committee, or something like that.

Q Is that anti-terrorism?

A Anti-terrorist Americans, yes, those two.

Q Now, you mentioned that Mr. Channell had warned you--

A Yes.

Q --that they might seek a particularly large contribution?

A That is right.

Q And then he arranged a private meeting with Mr. North in the cocktail lounge of the hotel?

A That is right.

Q And was that just you, Mr. North, and Mr. Channell?

. A Yes.

. Q About how long did that meeting occur?

. A Those meetings, most of them, were not much longer than a half an hour. I think it was about a half an hour.

. Q About half an hour. Was Mr. North wearing his uniform at that meeting?

. A I don't think he ever wore his uniform. No, I don't think so.

. Q Did he have any materials with him, any papers?

. A I don't remember that, no. As I remember, he didn't. It is possible he did, but I don't think so.

. Q What do you recall that Mr. North said at this meeting?

. A Well, he said that the freedom fighters were in an E. G. desperate ~~expert~~ situation, that they could almost been so desparate ~~expert~~ that they might have to disband, by the time the Congress got around to voting the aid for freedom fighters there might not have been any freedom fighters.

. They were hungry, they didn't have enough fo eat, their clothing was falling apart. They didn't have enough weapons, and so on. The situation--well, really, tears practically came in his eyes, and he said they would be accused of stealing, because they would have to forage for food, and that they would probably be accused also by the leftist press of drug smuggling, and he said none of which. [illegible] the drug smuggling was absolutely a falsification, that they were not doing that, and wouldn't.

. Q Was there any discussion of the types of weapons that they needed?

. A You asked me if there were any papers or anything. There was a piece of paper that I think was produced by Channell. I am not sure whether it was Channell or Colonel North, a small piece of paper, with a list of weapons on it, and the price of the weapons opposite each category, and Mr. North, I mean Mr. Channell and Colonel North spoke in low tones about this, particularly low, and I really didn't hear what they were saying.

. Q Were they both looking at the list together?

. A Yes, I think so, yes.

. Q Was the list a typewritten list, or was it in handwriting?

. A I think it was printed writing.

. Q Printed writing?

. A Printed writing, yes. That is the way I remember it.

. Q What did you overhear the two of them say about this list?

. A I didn't overhear. I couldn't hear exactly what they were saying, and since they were obviously more or less whispering to each other, I didn't, you know, try to hear it.

. Q Before they started speaking together, did one of them pull out the list and show it to you?

. A Well, Channell finally gave it to me.

. Q He finally gave you the list?

. A Yes, he gave it to me. I must have had two lists. This is another thing that I am not quite clear about, because he must have kept a list for himself and then given one to me.

. Q Before Mr. North and Mr. Channell started talking among the two of them, however, did you see the list before this discussion began among the two of them?

. A Really, I can't tell you whether I did or not. I don't know.

. Q Then going back, the two of them talked together in low tones?

. A Yes.

. Q For a few minutes?

. A Yes.

. Q And then what was said after that?

. A Then I think Colonel North said he had to go, and then we told him good-bye, and Mr. Channell showed me the list, gave me the list.

. Q What did he say about the list, then?

. A Well, he said this is what we need. Can you help?

And I saw that it was--I said it was a tremendous amount of money. I said I wasn't sure whether I could or not. I would have to ask my banker bank, and I would try.

If I could, I would.

Q What items do you recall where included on the list?

A Well, I do recall hand grenades, and I think I recall anti-aircraft guns and bullets and probably cartridge belts.

Q Anything else?

A I can't remember. I am sure it was more than that, but I don't remember what else.

Q And were there--

A I think there was more.

Q Were there prices on the list also?

A Yes, there were.

Q Was there a price per unit or was it a total price for a number of units of any particular item?

A Well, for each category, there was a price, and how many, I don't know whether it said how many they needed of each or not. I don't remember that, but for each category there was a price, and they probably did have a quantity listed, but I certainly don't remember that.

And whether it was added up at the end, I do not remember either, at the bottom.

Q So, Mr. Channell discusses this list with Mr. North?

. A Yes.

. Q And you observed them discussing it?

. A Yes.

. Q Mr. North leaves?

. A Yes.

. Q And then Mr. Channell speaks to you about the list and shows it to you?

. A That is right.

. Q What does he say to you about the list?

. A Well, he said, ''Do you think you can help provide these things? Can you give the amount of money needed?'', and I said, ''Well, I have no idea whether I can or not. I am rather shocked, but I will see--at the amount--but I will see what can be done, if I can help. I will try to help.''

. Q And did you take the list with you?

. A Yes.

. Q And you say you believe Mr. Channell had another copy of the list?

. A I am sure he did. He must have had. As I remember, there were two lists. What I think he did was he had at first one list, and then while I was sitting there, he copied it over and gave me a copy of it?

. Q So the copy you received was in Mr. Channell's printed writing?

. A Printed writing, yes.

. Q And did you see the list he copied from?

. A Well, yes, I saw him copying the list, but I didn't notice.

. Q Did you notice if it was typewritten or handwritten?

. A No.

. Q And the list he discussed with Mr. North was the list that he copied from, is that correct?

. A That is what I assume, yes.

. Q You saw it?

. A Yes, I saw the list, and that was the list he spoke to Colonel North about, and then he copied the list and gave it to me.

. Q And what did you do with the list?

. A I took it home and gave it to my banker, and asked if it were possible for me to supply the needed funds.

. Q How much money was requested from you?

. A I noticed that the bank has put down that it was over about 1.5 million to begin with. It ended up more than that.

. Q You say you gave it to the bank?

. A Yes.

. Q To what individual did you give this?

. A To Mrs. Anne Glanz.

. Q And what is her position?

. A She is a vice president of the bank, and she is the manager of my trust at the bank.

Q And how long after you returned to Texas did you give this list to Mrs. Glanz?

A I think the day after I returned.

Q Did you make a copy of the list?

A No, I didn't. I left it with her, and then since I wouldn't get it back, she had given it, I think, to Mr. Osborne, or talked to him about it. I couldn't get it back.

I tried to remember it and wrote a little note to myself, but I didn't remember it exactly, and I have never been able to find my notes, either, where I had put it. I wrote it down in a notebook, and I can't find the notebook, wrote down what I remembered was on the list.

Q Did you ask Mrs. Glanz or Mr. Osborne to return the list to you?

A Yes.

Q And what did they say?

A They didn't have it.

MR. FRYMAN: Mr. Osborne, I believe the subpoena and the documents described in the attachment would extend to this list. Can you state for the record that a search has been made for that list?

MR. OSBORNE: Yes. In my opinion, the subpoena would clearly apply to the list, and we did make a search for the list, and we did not turn it up.

MR. FRYMAN: Mrs. Garwood has said that this list was delivered to you through Mrs. Glanz. Do you recall this list that she has described at some point?

MR. OSBORNE: Mrs. Glanz brought the list up to me and I looked at it and returned it to Mrs. Glanz.

THE WITNESS: She did look for it, and none of us was able to produce the list. This was--how long after was it that we were asked about the list? It must have been almost a year afterwards, by that time.

My husband had been very ill and other things had been on my mind, and I just don't know. I may turn up the list yet. If I do, I will send it to you. The thing that I made from memory, which might not be exact, the notation that I made, when I couldn't get the list back.

BY MR. FRYMAN:

Q That is the list you feel you may still turn up?

A I might, yes.

Q After receiving this list from Mr. Channell, did you make any further contributions to his organization?

A Yes.

Q And approximately what amount?

A Well, you have that amount, don't you?

MR. OSBORNE: I think this Exhibit 2, which has been marked, has the information, and you are referencing April 15, 1986.

BY MR. FRYMAN:

Q Mrs. Garwood, I will go into the details of the contributions in a minute, but is it correct that after his discussion, you made a multi-million-dollar contribution to Mr. Channell's organizations?

A After the discussion, I made a contribution right away that was over $1 million, about $1.5 million, and added up in the end to $2.5 million.

Q Within a period of several weeks?

A That is right.

Q After this meeting?

A That is right.

Q And to what organization did you make these contributions?

A I left that up to Anne Glanz, and she had conversations with Mr. Channell over the phone, and they ~~figures~~ figured out together where it should go.

Q And for what purpose did you understand these contributions were being made?

A I knew it was going for the list of ammunition, and also, I imagine also for the food that was needed and some of the other what you would call non-lethal requirements.

Q Did you understand that the contribution you were making was an amount larger than the total of the amounts on the list that Mr. Channell gave you for weapons?

. A I don't remember what the total of that list was, but I have a feeling that it was larger, yes.

. Q Was the principal purpose of your contribution to provide the weapons that Mr. Channell requested?

. A The initial--the first part of it was, and also the other things that were needed.

. Q Did you have any discussion or communication with the President in this period of time about your contributions?

. A Not actually about my contributions. I had asked Mr. Channell from the beginning, from the early days when his group was meeting his contributors and he was asking for donations for the democratic resistance in Nicaragua, that I felt that the foreign policy was a divided and ambivalent foreign policy of the Administration.

. I was in favor of what Reagan wanted, but it seemed that he was being stymied at almost every step by the State Department, and I very much wanted a meeting with the President to discuss this with him.

. My father had been in the State Department in the Truman Administration. He had been Under Secretary of State for Economic Affairs, where the State Department and the President were absolutely in sympathy with each other, and everything they did, and this seems to me a shame that this could not happen with Reagan.

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. Q When was the next time that you met with Mr. North after the April 1986 meeting?

. A There was a meeting in September, early September 1986.

. Q And where was that meeting?

. A And that was in his office in the Old Executive Office Building.

. Q And who was present?

. A Just Mr. North and Mr. Channell and myself. Mr. Channell took me over.

. Q Did Mr. North express any appreciation for your earlier contributions?

. A Well, he had in letters, which I think you have in one of these exhibits, and usually he greeted me very kindly. You know, as if he were grateful for my help, my general help.

. Q At this meeting in September, did he make any specific reference to the series of contributions, substantial contributions, that you had made after your earlier meeting with him and Mr. Channell?

. A No.

. Q Had you had any telephone communications with anyone in the White House after your series of contributions in April and May of 1986?

. A No.

. Q Turning back to the September 1986 meeting in Mr. North's office, approximately how long did this meeting last?

. A It was around a 20-minute meeting again.

. Q And what was the substance of the conversation?

. A The substance there was again the very critical condition about transport, transport of humanitarian aid. It wasn't getting to the freedom fighters because one of the transport ~~planed~~ planes had been shot down, and they needed two more, and so there were small planes being built by a man in the south, either South Carolina or Alabama that they could get for cost, and they were very much hoping to get those to transport the humanitarian aid that was needed.

. Q Did he use the phase humanitarian aid, he being Mr. North?

. A Yes--I don't remember.

. Q But he spoke of the needs for this type of plane.

. A Yes.

. Q That could be bought at cost?

. A Yes, the needs for--well, I am sure food, clothing and medical supplies. Medical supplies was one of the things that he did mention from time to time.

. Q And did he ask assistance from you?

. A He never asked me for assistance.

. Q Who did?

. A Well, after we left the office, Mr. Channell did.

. Q And what did Mr. Channell say?

. A Well, Mr. Channell said that they needed money for those two planes, those two small planes. They were 40,000, I think, a piece, and that they would need 80,000.

. Q And did you make a further contribution?

. A I made a contribution for that, yes.

. Q And to what organization, do you recall?

. A The NEPL.

. Q Did you meet with Mr. North after his occasion?

. A You mean a later meeting some time?

. Q Yes.

. A It seems to me there was another meeting with him, but not to discuss anything about needs for the freedom fighters. There was a meeting in November, and that was immediately, very close to the time, maybe just before the time they were talking about the sale of planes, of arms and whatever to Iran and the Iran-contra thing.

. It was just before that.

. Q And where was this meeting held?

. A This was in the Hay-Adams at breakfast.

. Q And who was present?

. A Mr. Channell and Colonel North and myself.

. Q And approximately how long did this last? Just for breakfast?

. A Just for breakfast, yes.

. Q What do you recall Mr. North saying at this meeting?

. A I remember mostly what I said to him.

. Q All right.

. A Which was that I thought that it was getting nowhere to help the freedom fighters so long as we still recognized the Nicaraguan Sandinista Government, and that we ought to withdraw recognition, and why didn't we, and he said well, that they hadn't enough territory to be recognized, the freedom fighters didn't have enough territory to be recognized as a government-in-exile, which is what I wanted for them to be recognized as a government-in-exile, and ~~the other government~~ not to be recognized. relations with the other government to be withdrawn

. After all, we were supplying the resistance against it, and that seemed to me a logical step that should be taken, but he said it wasn't, and that he didn't think that it was possible until they gained some more ground.

. We rather disagreed about that. I remember telling him that I remembered Britain in World War II recognizing a Polish government-in-exile when the free Poles had no territory at all, it was all under the domination of the Nazis.

. Q Did you request this meeting with Mr. North to express your views?

. A No.

. Q What do you understand led up to this meeting?

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. A Led up to it? I think afterwards that Channell said something to me, you know, about--Ollie said is planning to take some trips, and he will need some funding for that. I said ~~suspense~~ Spite, I am not giving anything else until we do some of the things I have asked to be done, until the government does, nothing at all.

. Q Now, was this conversation with Mr. Channell before the meeting with Mr. North?

. A It was afterwards, after North had left, after Colonel North had left. I didn't know, you know, he just said Colonel North is going to meet us over here, and he just wants to say hello to you, or something like that.

. Q Did you come to Washington for the purpose of meeting with Mr. North?

. A No.

. Q Or for some other reason?

. A I was there for another reason. I was there because of a Heritage Foundation banquet that I had been invited to to become a member of something they called the President's Club, and there had been a banquet the night before, and I was staying at another hotel, and Mr. Channell called up and said he wanted to take me over to the Hay-Adams for breakfast, and so we went over there, and ~~wanted~~ then we were to meet Colonel North over there.

. Q Have you met Colonel North on any occasion since that meeting in November at the Hay-Adams?

. A No.

. Q Have you ever spoken with Colonel North on the telephone?

. A I called him myself and told him that I was helping, had given a donation to the North legal assistance fund, legal defense fund, at his home, and his little daughter answered the telephone, and she called her father to the phone, and he said, ''Well, I think it is best not to call me here, it is better for you to call me at the office. Thank you very much for what you have done.''

. Q And approximately when was that conversation?

. A That could have been in late December, probably was in late December.

. Q Of 1986?

. A Of 1987--

. Q Of 1986?

. A Yes, 1986. I am sorry, 1986.

. Q And is that the only occasion you have ever spoken with him on the telephone?

. A Yes.

. Q And the only occasions you have ever met with him face to face are the, I believe, seven occasions that you have described today?

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A Yes.

Q Is that correct?

A That is right.

MR. FRYMAN: Why don't we break for a few minutes?

[Recess.]

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MR. FRYMAN: Back on the record.

BY MR. FRYMAN:

Q Mrs. Garwood, how did you originally meet Mr. Channell?

A I met him when he was working for the National Conservative Political Action Committee, used to be called NCPC. [redacted]

Q Who introduced you?

A Well, he was an assistant to Terry Dolan, the late Terry Dolan, and this was an organization to help get a conservative Senate, Republican Senate, to help the President, and I was interested.

Q And you have described this afternoon a number of meetings that you had, both with Mr. Channel and Mr. North?

A Yes.

Q What did you understand the relationship between the two of them to be?

A First of all, I knew Mr. Channell was interested in helping President Reagan. He had been in NCPC, of course, and he had also been helping at one time General Graham for High Frontier, which is the President's baby, more or less, you know, the space defense, and we were interested in more or less the same issues.

I knew that, and--what was it that you asked me now?

Q What did you understand the relationship or the connection to be?

A Yes.

Q Between Mr. Channell and Mr. North?

A I thought it was a general desire, a fervent desire actually of Mr. Channell to help President Reagan's foreign policy, and Colonal North was part of the National Security Council, which was certainly concerned with foreign policy.

Q Did you understand any sort of a more formal coordination between Mr. Channell's activities and Mr. North's activities?

A Nothing except the general desire of both of them to help the Reagan Administration.

Q You have described in general this afternoon a number of contributions that you made to the Channell organizations.

A Yes.

Q Were you ever asked by anyone to pay any bills or to send any money to any supplier of aid of any sort?

A Never.

Q To the contras?

A Never.

Q Was any money ever provided to you from any source for deposit into one of your accounts which was then to be used to make a contribution out of your account to some organization of Mr. Channell's?

. A Never, except when Mr. Channell called me and said that he had a surplus in the NEPL, the National Endowment for Preservation of Liberty, and he needed some money in the American Conservative Trust, I believe it was. Would I, if he refunded me or sent back some of the money I had given him for the NEPL, would I then make a check for an equivalent amount and sent it to the American Conservative Trust, make it out to the American Conservative Trust. That time he did.

. Q And are those refunds reflected in the financial summary which is included in Garwood Exhibit 2?

. A I thought they were, yes.

. Q Would you look?

. A I will look again.

. Q Exhibit 2.

. A There is one for 25,000, one for 30,000 refunds. Yes, one for 25,000 and one for 10,000. Thirty thousand up here, yes.

. Q And those are the only funds that you ever received from--

C 6 . A That is right, from Mr. Channell.

. Q Or any third party which were to be the source of contributions in turn by you to one of Mr. Channell's organizations?

. A That's correct. These are the only ones.

. MR. FRYMAN: I would ask the reporter to mark as Garwood Deposition Exhibit 2-A and 2-B for identification the first two pages of Garwood Exhibit 2.

. [The following documents were marked as Garwood Deposition Exhibits 2-A and 2-B for identification:]

********** INSERT *********

BY MR. FRYMAN:

Q Mrs. Garwood, I direct your attention to Garwood Exhibits 2-A and 2-B.

A 2-B is the one with the refunds, that's right, yes, and 2-A--is there any special reason for that?

Q My question, Mrs. Garwood, is, was that sheet prepared at your direction, those two pages, Garwood Exhibits 2-A and 2-B?

A I think Mr. Osborne did this for his own information and for mine.

Q Do those two sheets reflect the date and the amount of all of the contributions which you have made to any organization associated or that you understand to be associated with Mr. Channell?

A These two pages?

Q Yes. I am asking about your own contributions at the moment.

A Oh, my own.

Q And I am directing your attention to Garwood Exhibits--

A 2-A and 2-B.

Q 2-A and 2-B.

A As far as I can remember, they do, yes.

MR. FRYMAN: Mr. Osborne, Mrs. Garwood has referred to you in connection with preparation of these sheets.

Would you confirm that you did prepare those two?

MR. OSBORNE: Yes, I did prepare those.

MR. FRYMAN: I ask the reporter to mark as Garwood Exhibit 2-C for identification a third sheet, contained in Garwood Exhibit 2, and to mark as Garwood Exhibit 2-D for identification the fourth page contained in the Garwood Exhibit 2.

[The following documents were marked as Garwood Deposition Exhibits 2-C and 2-D for identification:]

********** INSERT *********

BY MR. FRYMAN:

Q Mrs. Garwood, I direct your attention to Garwood Exhibit 2-C for identification. Does that sheet indicate the date and amount of contributions made in the name of your husband to organizations which you understand to be associated with Mr. Channell?

A Yes, it does.

Q And I direct your attention to Garwood Exhibit 2-D.

A Patrick Henry Foundation, yes.

Q And would you explain what that sheet contains?

A Yes. That is a contribution to the National Endowment for the Preservation of Liberty, for humanitarian aid to the freedom fighters.

Q What is the Patrick Henry Foundation?

A A foundation that was set up upon the advice of Mrs. Glanz by me to help preserve the freedom of our country, to give donations to organizations that would help preserve the freedom of our country.

Q And is the foundation that was funded by contributions from you?

A That's right.

Q And do you control the foundation?

A I and the trustees, my two grandchildren.

Q Is the contribution reflected on Garwood Exhibit 2-D for identification the only contribution of which you were aware that the foundation made to an organization associated with Mr. Channell?

. A It is.

. Q And are the contributions reflected on Garwood Exhibit 2-C the only contributions of which you are aware that were made in the name of your husband?

. A That's right.

. Q To organizations associated with Mr. Channell?

. A Yes, that's right.

. MR. FRYMAN: I ask the reporter to mark as Garwood Exhibit 2-E a letter dated April 15, 1986, from Mrs. Garwood to Anne Glanz, which is contained in Garwood Exhibit 2. Also, to mark as Garwood Exhibit 2-F a letter dated April 15, 1986, from Mrs. Garwood to the National Endowment for the Preservation of Liberty; to mark as Garwood Deposition Exhibit 2-G for identification a letter from Mrs. Garwood dated May 19, 1986, to the National Endowment for the Preservation of Liberty; and to mark as Garwood Deposition Exhibit 2-H a letter from Mrs. Garwood dated October 17, 1986, to the National Endowment for the Preservation of Liberty.

. [The following documents were marked as Garwood Deposition Exhibits 2-E through 2-H for identification:]

xxxxxxxxxx INSERT xxxxxxxxx

BY MR. FRYMAN:

Q Mrs. Garwood, I direct your attention to Garwood Deposition Exhibit 2-E for identification, and ask you to identify that letter.

A Yes, that is my letter.

Q Is that a copy of a letter that you sent to Mrs. Glanz?

A That is a copy of a letter. Mrs. Glanz typed it and asked me to sign it.

Q And what was the purpose of that letter?

A That was for shares to be sent. That was part of the donation that we have already discussed that was sent to cover the donations necessary for the list.

Q For the weapons list that you described?

A For the weapons list, yes, and perhaps also for food.

Q And after that letter, were the stocks that are referred to in that letter transferred as directed in the letter?

A They were, as far as I know, yes.

Q I direct your attention to Garwood Exhibit 2-F for identification. Is that a letter that you sent to the National Endowment for the Preservation of Liberty?

A Yes.

Q And that was on April 15, 1986?

. A Yes.

. Q And does that letter notify the Channell organization of the contribution you just described?

. A Yes, receipt of this gift, yes.

. Q I direct your attention to Garwood Exhibit 2-G for identification. Is that a letter dated May 19, 1986?

. A Yes.

. Q From you to the National Endowment?

. A Yes.

. Q And what is the purpose of that letter?

. A To tell Mr. Channell that I had wired $250,000 to ~~your~~ his account at the Palma National Bank, and to acknowledge receipt of the gift to the National Endowment for the Preservation of Liberty.

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. Q What is the amount transferred?

. A The amount was $350,000.

. Q And was that a part of the contribution that you described that related to the weapons list that he gave to you?

. A The weapons list and the other needs of the freedom fighters that had been described at that meeting, ~~and~~ [illegible] Colonel North described the desperate condition of the freedom fighters.

. Q But it also related to the weapons list?

. A Yes.

. Q And I direct your attention to Garwood Exhibit 2-H for identification. Is that a letter dated October 17, 1986?

. A Yes.

. Q From you to the National Endowment?

. A That's right.

. Q And what is the purpose of that letter?

. A The purpose of that letter was for further humanitarian aid for the freedom fighters, a gift to help.

. Q And does that notify them of a wire transfer?

. A Yes, it does.

. Q And what is the amount of the transfer?

. A $100,000.

. Q Mrs. Garwood, I direct your attention to Garwood Exhibit 2-F for identification, which is the April 15, 1986, letter.

. A Yes.

. Q From you to the National Endowment. Does that letter also notify Mr. Channell of a wire transfer of money as well as the transfer of stock?

. A Today I have wired $470,000 to your account--yes, it does.

. Q And the amount of that transfer is $470,000?

. A That's right.

. Q And that transfer also relates to the weapons list

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that you received from Mr. Channell?

A The desperate condition of the freedom fighters, yes.

Q Which included?

A Which included the weapons, yes.

MR. FRYMAN: I ask the reporter to mark as Garwood Deposition Exhibit 2-I for identification a letter from Mrs. Garwood to Mr. Channell dated October 3, 1986.

[The following document was marked as Garwood Deposition Exhibit 2-I for identification:]

********** INSERT *********

BY MR. FRYMAN:

Q Mrs. Garwood, I direct your attention to Garwood Deposition Exhibit 2-I for identification. Is that a copy of a letter which you sent to Mr. Channell dated October 3, 1986?

A Yes.

Q And does that notify Mr. Channell of a wire transfer of funds?

A Yes, it does.

Q And what is the amount of the transfer?

A Ninety thousand.

Q And is that the transfer from the Patrick Henry Foundation that you referred to earlier?

A I believe it is.

Q And what was the purpose of that contribution?

A That was for humanitarian aid to the freedom fighters.

Q Was that for weapons also?

A No.

Q How do you know that was not for weapons?

A It wouldn't have been made from the Patrick Henry Foundation if it was for weapons.

MR. FRYMAN: I ask the reporter to mark as Garwood Deposition Exhibit 2-J through 2-U 12 pages of documents related to Mrs. Garwood or her husband's account at the

Inter First Bank in Austin, Texas.

. [The following documents were marked as Garwood Deposition Exhibit 2-J through 2-U for identification:]

********** INSERT *********

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BY MR. FRYMAN:

Q Mrs. Garwood, I direct your attention to Garwood Deposition Exhibit 2-J for identification. At the top of the page is a copy of a check numbered 9049, is it not?

A That's right.

Q And is that a check on your husband's account?

A Yes.

Q The signature on that check, Saint John Garwood?

A Yes.

Q Was that signed by you?

A That is signed by me. I had his power of attorney.

Q And the second check on that page, check number 6948, is that a check on your account?

A That is on my account, that's right.

Q And is that signed by you in your name?

A That's right.

Q Will you examine each of the pages which represent Garwood Deposition Exhibits 2-K through 2-U for identification?

A Yes.

Q And look at the checks on each of those pages, and tell me if each of those checks is signed by you, either in your name or your husband's name?

A Yes.

Q If you would look at each.

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. A They are. That's right. That was one of the first checks.

. Q You are referring to--

. A The small check.

. Q Check number 375?

. A 375, yes.

. Q On Garwood Deposition Exhibit 2-P, is that correct?

. A That's right. You see it is smaller than the others.

. Q Right. That is a check from the book that you carried in your purse?

. A In my purse, that's right. that is too.

. Q And by that you are referring to check 331?

. A 331.

. Q On Garwood Deposition Exhibit 2-Q?

. A Yes.

. Q Each of the checks on those exhibits 2-J through 2-U was signed by you either in your name or your husband's name?

. A Yes.

. Q I direct your attention to Garwood Deposition Exhibit 2-J, and the check at the top, number 9049, drawn on your husband's account.

. A Yes.

. Q In addition to the signature on that check, did you

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also write out the name of the payee and the amount of the check?

. A Yes, I wrote everything on the check.

. Q And did you also write underneath the amount the purpose for which the check was drawn?

. A Yes.

. Q And was that purpose written at the same time you signed the check?

. A That's right.

. Q Would you read the purpose stated there?

. A ''To promote comprehensive, creative conservatism educationally.''

. Q And who gave you that phrase to include on the check?

. A Well, this was a general idea I got from Channell about what the American Conservative Foundation was for, and I had never heard him mention the American Conservative Foundation before.

. When he asked me for a $10,000 contribution, I didn't have that much in my account, so I asked my husband if he would help, and he said it was all right to send half of it from him and half of it from me.

. Q Did Mr. Channell give you the phrase to write on the check?

. A I don't think that exact phrase he gave me, no, but

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that was the general idea of what the Conservative Foundation was for, so I really wrote it down for my own information, because it was the first time I had heard him mention.

This was another one of his organizations, the first time I had heard him mention the foundation, and he said that this was its general purpose.

Q Were you the originator of this phrase yourself?

A Yes.

Q And on the other check on that page drawn on your account, 6948, does the same phrase appear?

A It does.

Q As the reason?

A That's right.

Q On Garwood Exhibit 2-K for identification, I direct your attention to check 6893. Is the handwriting on that check yours?

A Yes.

Q And what is the writing?

A Not FEC accountable?

Q Yes.

A A state donation to the American Conservative State Election fund is not accountable to the FEC, and I reminded myself that it isn't by putting this on the check.

Q Who told you it was not accountable? Did Mr.

Channell tell you that?

. A We all know that any state election contributions, you look that up and what the FEC expects you to report, and they do not expect you to report anything given to a state election.

. Q And the organization that was the recipient of this check was which organization?

. A Was the American Conservative Trust State Election Fund.

. Q On the same exhibit, Mrs. Garwood, I direct your attention to check 9026. Who was the payee on that check?

. A Conservative Trust, American Conservative Trust.

. Q And after that?

. A State Election Fund.

. Q Is that SEF? Does that represent State Election Fund?

. A Yes, it does.

. Q Did you write SEF there?

. A No, I didn't.

. Q Do you know who did?

. A I suppose the person who received it, Emergency Committee to Save Reagan Revolution, for TV commercials for SDI deployment.

. Q Let me just ask what is the writing on the lower portion of the check underneath the amount? What does that state?

. A Yes, it was what I just read. ''Emergency Committee to Save Reagan Revolution.'' Then underneath that, ''for television commercials for SDI deployment.''

. Q Does that sound like--

. A State Election Fund?

. Q Yes.

. A It could be, for the ads for people who were running for state legislatures, and some of them were for the SDI deployment and some of them were not, and if they were not, this was a donation to inform people in the ad that they were not for SDI deployment.

. Q What was the source of your information that you wrote at the bottom of this check?

. A It was undoubtedly Mr. Channell.

. Q I direct your attention to Garwood Exhibit 2-L for identification, which contains copies of three checks of yours.

. A State Election Fund, yes.

. Q On each of those you have written, not--

. A FEC accountable.

. Q And you wrote that phrase on each check?

. A I did, yes.

. Q And that was for what purpose?

. A When I was adding up the amount of donations I had given to election funds, I would not include this because state election funds were not included.

. Q But you wrote that on the check at the time you signed the check?

. A I did.

. Q Is that correct?

. A Yes.

. Q I direct your attention to Garwood Deposition Exhibit 2-M for identification, and particularly check number 6675 at the top.

. A State Election Fund.

. Q Would you identify the payee of that check?

. A Anti-Terrorism American Committee, yes; State Election fund for people running for legislature or governor or whatever in a state election.

. Q And who gave you that information?

. A Mr. Cliff Smith, requested by Cliff Smith.

. Q And on the payee line of that check, there are the initials SEF.

. A Yes.

. Q Is that your handwriting?

. A That is not, but it is already in my handwriting down here.

. Q And the free state election fund you wrote on the check at the time you signed the check?

. A Yes.

. Q Is that correct?

. A That's right.

. Q I direct your attention to Garwood Deposition Exhibit 2-0 for identification, and particularly the check at the top numbered 6746. That is payable to Sentinel, is it not?

. A Yes.

. Q And what is the purpose written on that check?

. A That says for educational purposes, 504(c)(4) organization.

. Q Is that your handwriting?

. A That is in my handwriting.

. Q And what is the source of your information for that?

. A The source of my information was either Mr. Channell or Mr. Smith.

. Q And you wrote that on there at the time you signed the check?

. A Yes. That would have included ads for people who were running for office. It could have included state election fund people, educational purposes to ~~education~~ educate the electorate as to the views of the person who was running for office.

. Q But it could have been used for expenditures in particular political campaigns?

. A It could have been, yes.

. Q As you understand it?

. A Yes, in the state.

. Q And in Federal elections as well or just state?

. A No, just state.

. Q On that check you have no indication of a state election fund?

. A No.

. Q Do you?

. A No, I don't, but I have a feeling that those were for state purposes, yes.

. Q On the same exhibit, Garwood Deposition Exhibit 2-0 for identification, if you would look at the other two checks on that page, both dated December 1, 1986.

. A Yes.

. Q Those are also both payable to Sentinel, is that correct?

. A That's right.

. Q And one is on your account and one is on your husband's account?

. A My husband's account.

. Q And what is the purpose written on those requests?

. A ''Requested by Channell for legal work for a conservative.''

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This was for the North Legal Defense Fund, and I asked him when he asked me for this, when I heard that there was a fund being set up by Colonel North's Navy comrades to send this back to me, ~~but~~ and he did. He sent back the 10,000.

Q What was the conversation that prompted the contributions reflected in these two checks? Was that a telephone call?

A That was a telephone call, yes.

Q And did that occur on or about December 1, 1986?

A Yes.

Q What did Mr. Channell say in that conversation, as you best recall?

A Well, he said that he had been examined by people who were breaking into--well, he had been accused, I think, of some participation in the Iran-contra affair unjustly, and that people had broken into his office and that they were going to examine his records, and so on.

He also told me that ~~the~~ he was going to help with the Legal Defense Fund for Colonel North, and he wanted some checks first made out to the American Conservative Foundation, which I told you I didn't recognize that name, and so he said he would use this to help Colonel North with the Legal Defense Fund.

I sent it to him, and then he called me back either the same day or the next day, and said that he had talked to his lawyer and his lawyer said that since it was for a private person, it could not be used by the American Conservative Foundation, which I understand, and he asked me to make out the two checks to Sentinel instead, which I did, and then Mr. Andy Messing called me and asked me if I would make donations to the North Legal Defense Fund, and I told him that Spitz Channell had already asked me and I had already given, and he said, Well, that is a shame because Spitz Channell takes 35 percent of everything he gets from anybody, and also he said, It is a shame because Colonel North's Marine buddies are setting up an official North Legal Defense Fund, which appealed to me a great deal more, and I then called Channell and asked him to send back these two checks, send back the amount, and that I was going to give it to the North Legal Defense Fund, which I did.

. Q Mrs. Garwood, if you would look at Garwood Deposition Exhibit 2-F for identification, the second and third checks on that page are both payable to Western Goals Foundation, are they not?

. A That's right.

. Q Would you identify, or would you read and explain the purpose indicated on each of those checks?

. A That KAL?

. Q That is spelled K-A-L?

. A KAL refers to the Korean Airliner disaster, that was shot down, on which Larry McDonald was a passenger, and they were doing--Western Goals, as you know, was founded in the beginning by Larry McDonald, Congressman Larry McDonald, and they were trying to do some research and something to clarify exactly how this happened. It was called the KAL Project, and I sent them $100 for that.

. Q And the second check?

. A And the second check for $500, I don't remember exactly what that was for. I have ''donation'' down there.

. Q The word that appears there is ''donation''?

. A That's right.

. Q And I direct your attention, mrs. Garwood, to Exhibit 2-R for identification, and specifically the check number 6600 at the top of the page. Is that a check for $130,000?

. A It is.

. Q To the National Endowment?

. A Yes.

. Q And what is the purpose of that check that you have written on the check?

. A ''Requested by Mr. Channell for support of freedom and democracy''--is that what it says, yes--''for support of freedom and democracy.'' This was supporting, I am sure, the humanitarian aid to the freedom fighters.

. Q What is the source of the phrase that you wrote on there?

A That is my own phrase.

MR. FRYMAN: I ask the reporter to mark as Garwood Deposition Exhibit 3-A through 3-G for identification seven letters from Oliver L. North to Mrs. Garwood which are a part of Exhibit 3.

[The following documents were marked as Garwood Deposition Exhibit 3-A through 3-G for identification:]

********** INSERT *********

BY MR. FRYMAN:

Q Mrs. Garwood, I ask you to look at Garwood Deposition Exhibit 3-A for identification. Is that a letter dated May 24, 1985?

A Yes.

Q To you from Colonel North?

A It is.

Q And would you identify Garwood Deposition Exhibit 3-B for identification?

A Yes, that is a letter from North to me.

Q Is that a letter dated September 20, 1985?

A Yes.

Q And you received this letter in the mail from Mr. North?

A Yes.

Q And is Exhibit 3-C a letter dated October 17, 1985, to you from Mr. North?

A That's right.

Q And you received this in the mail?

A Yes.

Q And is Exhibit 3-D a letter dated November 5, 1985, to you from Mr. North?

A Yes, it is.

E.G. Q And he ~~you~~ also sent that in the mail?

A Yes.

Q And Exhibit 3-E, is that a letter to you dated January 24, 1986, from Mr. North?

A Yes, it is.

Q And you received that in the mail?

A Yes.

Q And Exhibit 3-F, is that a letter to you from Mr. North dated May 2, 1986?

A Yes, it is.

Q And you received that in the mail?

A Yes.

Q And Exhibit 3-G is a letter to you from Mr. North dated July 23, 1986, is it not?

A Yes.

Q Which you received in the mail?

A Yes.

MR. FRYMAN: I would ask the reporter to mark as Garwood Deposition Exhibit 3-H for identification a letter contained in Garwood Exhibit 3 dated June 3, 1986, from President Reagan to Mrs. Garwood.

[The following document was marked as Garwood Deposition Exhibit 3-H for identification:]

********** INSERT *********

BY MR. FRYMAN:

Q Mrs. Garwood, I show you the exhibit that has been marked 3-H for identification. Is that a letter you received from the President?

A Yes, it is.

Q And that is sent to you in care of the American Study Center?

A Yes, it is.

Q Would you describe the circumstances under which you received this letter?

A It was a reception being given for my latest book, ''The Undying Flame,'' about Mariano Moreno of Buenos Aires.

Q And what is the American Studies Center?

A It is a center that publishes books and also puts on a radio program, Radio America.

Q And do you know what caused the President send you this letter on this occasion?

A Perhaps Jim Roberts, who is a friend of the President's, and is the chairman and head of the American Studies Center, let him know that there was a reception that was to be given for me for the book.

MR. FRYMAN: I ask the reporter to mark as Garwood Deposition Exhibit 2-V for identification a letter contained in that exhibit from Mrs. Garwood to Mr. Osborne dated January 31, 1987.

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[The following document was marked as Garwood Deposition Exhibit 2-V for identification:]

********** INSERT *********

MR. OSBORNE: What letter we are on?

MR. FRYMAN: Off the record.

[Discussion off the record.]

BY MR. FRYMAN:

Q Mrs. Garwood, would you look at Deposition Exhibit 2-V for identification. Do you recognize that letter?

A Yes.

Q And is that a letter you sent to Mr. Osborne?

A Yes.

Q And does that deal with the subject of contribution for Mr. North's legal defense which you described earlier this afternoon?

A It does, yes.

Q And does that describe the circumstances of the refund that you requested from Mr. Channell?

A Yes.

MR. FRYMAN: Mrs. Garwood, that concludes my questioning this afternoon. My colleagues now have an opportunity to ask questions also. We will start with Mr. Van Cleve who is on the House staff, and then there may be some questions following by Mr. Kaplan of the Senate staff.

I think as your counsel may have informed you, this is a joint deposition today between the House and the Senate. Before Mr. Van Cleve begins, I just want to note for the record that in advance of this deposition, I provided to counsel for Mrs. Garwood copies of the resolution establishing the select committee and a copy of the rules governing the investigation of the select committee.

Shall we take a short break?

[Recess.]

MR. VAN CLEVE: Mrs. Garwood, I have had an opportunity to review my notes. I find I have no questions for you and I want to thank you for your appearance today.

EXAMINATION

BY MR. KAPLAN:

Q As you know, because I have spelled it for you for your book, my name is James E. Kaplan, and I am associate counsel of the Senate Select Committee that is investigating the Iranian arms sales and contra matters.

We are appearing here today at the request of your counsel, and at the invitation of your counsel, and we were glad to accommodate you. We have also provided a copy of our rules and regulations, our committee rules, and at the request of and to Mr. Loeffler, who also represented to us yesterday that he already had a copy of our committee regulations pursuant to which we appear here today.

There are areas of questioning that I am just going to follow up on. I will do my best not to duplicate any questions that Mr. Fryman asked. If you don't understand any of my questions, please feel free to stop me and make me be more clear.

. Do you know Lynda Guell?

. A Yes.

. Q And when did you come to know Lynda Guell?

. A I knew her when my book Come To Me, Meghan was coming out, and she was with the Western Goal Foundation, and I called to ask her for a good publicity agent it seems to me for the book, because I knew that Western Goals had put out several books, and that is how I happened to know her and had several conversations with her over the phone.

. Q Was she helpful?

. A She was.

. Q Did you have any other contacts with Ms. Guell other than with respect to agents and promotion for the book?

. A No, I didn't. Well, I did too. She asked me for a donation to help her go to Germany to speak to some of the people that Larry McDonald had been in contact with. This was after his death, and I did give her a donation for that. She had been very helpful in making suggestions about my book.

. Q Any other contacts with Ms. Guell?

. A That was all.

. Q Did Mr. Channell ever explain how he had come to know Colonel North?

. A No, he never did.

. Q Did Colonel North ever explain how he had come to be involved with Mr. Channell?

. A No.

. Q Did Mr. Channell ever explain or represent that he had a relationship with the Reagan Administration of any sort?

. A The only thing is a letter from President Reagan praising Mr. Channell for what he had done. That is the only specific occasion. We all knew that Mr. Channell was helping the Reagan Administration.

. Q Did Mr. Channell show you that letter?

. A He sent me the letter, yes.

. Q And in what context did he send you that letter?

. A Simply I suppose out of pride that the President had recognized what he was doing.

. Q Was there any other representation by Mr. Channell about his relationship with the Reagan Administration?

. A No.

. Q Did you ever meet the President other than at the one meeting that you described in your testimony earlier today?

. A I never had a private meeting except that one meeting. I had met the President in his 1976 campaign. I had been on his campaign plane.

Q What about Andy Messing? Do you know Andy Messing?

A Yes.

Q And how did you come to know Andy Messing, and when?

A I met him at a meeting of the Council for National Policy, one of the early meetings after I had become a member, and he was at that time I think working for the Conservative Caucus, which was Howard Phillip's organization, and I had known and been in contact with the Conservative Caucus for some time.

Andy Messing was there at that meeting. He is a member of the Council for National Policy.

Q How would you describe your relationship with Mr. Messing? Was it a close one? Were you in regular contact with Mr. Messing?

A Whenever we met at the Council for National Policy, he would describe to me some of his trips to Central America, where he took Congressmen down to see what was going on in Nicaragua, and to persuade them that there really was a dominant communist influence in the Sandinista Government.

Q Was there ever any reason for you to believe that there was a professional relationship or connection between Mr. Messing and Mr. Channell?

A No.

Q And what about between Mr. Messing and Colonel North?

A I knew he was a fellow Marine and he introduced me to Colonel North.

Q That's right, you testified about that.

With respect to your dealings with Mr. Channell's organizations, you mentioned Cliff Smith earlier in your testimony today.

A Yes.

Q Who else in Mr. Channell's organizations did you have an opportunity to deal with over the time?

A There was a man named Littledale, Chris Littledale, and a man named Dan Conrad.

Q And what were your contacts with Mr. Littledale?

A Simply I was introduced to him. Mr. Channell came to Austin with Mr. Littledale to work for Carol Rylander, who was running for the Congress against the democrat Pickle, and Mr. Littledale was with him.

I met him there at lunch, and then I had a conversation when he had asked for a donation for something that Mr. Channell, one of Mr. Channell's organizations.

Q Is that the sum and substance of your contacts with Mr. Littledale?

A That is it.

. Q What about your contacts with Mr. Conrad?

. A It seems to me that Mr. Conrad was the man in charge of--I don't know whether he is the treasurer or not, but I think he is of Channell's organizations, and something to do with the donations maybe, something he may have asked me for some donation at one time, or verified that something has come from me to the Channell organizations.

. I don't think it was anything very particular. something in general.

. Q Were you a member of the Board of Advisers of the National Endowment for the Preservation of Liberty?

. A I don't think I was ever called a member of the Board of Advisers. Maybe I was. I am just not sure.

. Q Were you a member of the Board of Advisers of the American Conservative Trust?

. A In some letter it seems to me Channell has me down as a member, as one of the advisers of one of those organizations. Which it is, and whether he even has it down I don't know, but I have a vague feeling that he did call me, but I don't remember any, you know, really occasion of being asked whether I would be on the board or anything like that.

. Q So then I take it you didn't have any special duties?

. A No.

. Q As a member of either of those boards?

. A Not at all.

. Q Have you ever met a John Holt Hull?

. A Never have met him, no.

. Q What do you know about Mr. Hull?

. A I know something about him through Mr. Vern Cheney, who said that he had had correspondence with him, he helped with ~~is~~ Dooley Intermed Corporation or Foundation, and that he lived in one of those countries. I have forgotten which one; I think it is Honduras.

. Q And what else did Mr. Cheney tell you about Mr. Hull or Intermed, Inc.?

. A He simply told me that Mr. Hull was helping with some transportation, ambulance boats that he was sending down, that I had helped pay for, and Mr. Hull was helping get them delivered or helping get the materials, maybe an engine or something for them.

. Q How and when did you meet Mr. Cheney?

. A Simply I have have been giving for many years donations to the Dooley Intermed, which takes care of refugees with medical supplies, and in general helps refugees fleeing from totalitarian countries. After Dr. Dooley died, Dr. Vern Cheney took over, so I just continued my contributions. I did them in the beginning when Dr. Dooley was there.

. Q In the documents that were turned over by your counsel pursuant to the subpoena that was issued by the House committee, there were some pieces of correspondence by Mr. Hull?

. A Yes.

. Q How did you come to receive that correspondence?

. A He said Dr. Cheney had told him about me, and he wanted to, he was very interested in what I was doing, and I had been helping with the humanitarian aid for the freedom fighters, so he wanted to correspond with me, and he was living down there, and he thought highly of the freedom fighters, and so on.

. Q Did you correspond back to him?

. A I wrote him back, yes. It was a very interesting letter, it seems to me, that he wrote me, and I wrote him back.

. You see, I am going to write a book about all of this some day.

. Q Earlier today you testified that you never understood any funds of yours, any contributions to the Channell organizations to be used for purposes in Nicaragua other than humanitarian aid.

. A Yes.

. Q Then a little later on in your testimony, you testified that you made in total a multi-million-dollar contribution.

. A Yes.

. Q Pursuant to and in response to an ammunitions--

. A Request.

. Q --arms list and request that you had received from the Colonel.

. A Well, when I made the first statement it must have been that I was talking about the time before I made this contribution.

. Q I just wanted to clarify that for the record.

. I am going to take you back in time to April, 1986.

. A Yes.

. Q When you described group meetings that occurred at Hay Adams Hotel. Do you recall the names of other potential contributors that attended those group meetings?

. A I think I named some of them, yes, Mr. and Mrs. Ramsey and a Mr. and Mrs. Pentacost, and Mr. and Mrs. Warm, and [redacted] Mrs. Adamkiewicz, A-d-a-m-k-i-e-w-i-c-z, or something like that, Dr. Mary Adamkiewicz, a very strange name. It is down there somewhere.

. MR. KAPLAN: I think we need to mark this.

. BY MR. KAPLAN:

. Q I will show you a copy of a letter that is part of your production, and at the bottom of the letter in the left-hand column here, there is a spelling of Dr. Adamkiewicz's name.

A Yes.

Q I believe that corresponds with the spelling you just gave the court reporter?

A A-d-a-m-k-i-e-w-i-c-z.

Q Was a Searcy Ferguson in attendance at the April meeting?

A Who?

Q A Searcy Ferguson.

A No, not that I know of. I don't remember that name.

Q What about a Ricardo Capote?

A I don't remember that name either.

Q When did you meet John Singlaub?

A I met him at a meeting of the Council for National Policy in Arizona, and the exact date, and I am not sure, I think it was 1985.

Q What did you understand the purpose of donations that you made to John Singlaub to be?

A Those were all to help humanitarian aid for the freedom fighters. Boots was one of them, and then another was the helicopter that was transformed into a medical evacuation helicopter, for which I paid the ~~transportation~~ transformation part.

Q Did you intend any of the funds to be used for the purpose of arms or ammunition?

. A Not at all.

. Q Did Mr. Singlaub ever meet with you with administration personnel, that is people from the White House?

. A No.

. Q Or the like, or the National Security Council?

. A No.

. Q How often did you meet with Major Singlaub?

. A The first meeting, which was in Arizona, the second meeting, which was in Dallas at the United States Council for Freedom, two-day conference, two- or three-day conference, and the third time was just recently, but you aren't going into 1987, are you? Another Council for National Policy Conference.

. Q Did you understand there to be any professional relationship or connection between Major General Singlaub and Mr. Channell?

. A No.

. Q Did you understand there to be any professional relationship between Major General Singlaub and Colonel North?

. A I didn't ever consider that there was any professional relationship. They certainly knew each other.

. Q How did you know that they knew each other?

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. A I don't absolutely know, but I know there were times it seems to me when General Singlaub was talking to ~~him,~~ me he mentioned Colonel North.

. Q Do you recall the context in which he mentioned Colonel North?

. A NO, I don't, and Colonel North never mentioned him.

. Q Did you know a Major Gil Macklin in the United States Marine Corps?

. A No.

. Q That name is not familiar?

. A It doesn't sound familiar at all.

. MR. OSBORNE: What was that name, counselor?

. MR. KAPLAN: Major Gil Macklin, M-a-c-k-l-i-n.

. BY MR. KAPLAN:

. Q I recall that you appeared briefly on Sixty Minutes.

. A Oh, really?

. Q Back in September of 1986?

. A That is one of the things I didn't see, and all my friends evidently did.

. Q Did you consult with anybody before submitting to your Sixty Minutes interview?

. A No.

. MR. OSBORNE: Can we go off the record a minute?

. [Discussion off the record.]

BY MR. KAPLAN:

Q You testified earlier today that you gave a copy of a munitions list that you had received from Mr. Channell to Ms. Glanz?

A Yes.

Q At Inter-First Bank, and Mrs. Glanz then showed it to Mr. Osborne?

A Yes.

Q And I believe Mr. Osborne volunteered that a search had been conducted for that list, and that list had not been turned up.

A Yes.

Q I take it that it is fair to say that the list that you are thinking of and described earlier today is the same list that Mr. Osborne is thinking of and was referring to when he stated that a search had been made for it?

A Yes.

Q And so we can assume thut the two of you discussed that?

A Yes.

Q Specifically in terms of conducting your search pursuant to the House subpoena?

A That's right.

MR. KAPLAN: If I can have a moment to consult with my colleagues.

[Discussion off the record.]

MR. KAPLAN: If we can have the reporter mark as Garwood Exhibit 3-I a document that appears in Garwood Exhibit 3.

[The following document was marked as Garwood Deposition Exhibit 3-I for identification:]

********** INSERT *********

BY MR. KAPLAN:

Q With reference to the document that has just been marked as Garwood Exhibit 3-I, are you able to identify that document, and/or to explain to us what it is all about?

A It is very difficult to figure it out, but now I see what it is. Mrs. Glanz asked Mr. Channell to give her the amounts that he in general had raised, said it seems to me you are asking Mrs. Garwood for too much, and he said, But he had raised a lot from other people too. She said, Well, then, will you let us know how much you raised from other people.

So then he sent this list, and that was it, what he had raised from other people.

Now, the names that went with this I destroyed, I took out, because he was not supposed to send me the names and I just cut them off, so I don't know who gave what, but that is what you see; if you want to count how many other people there were, you can count those.

Q So I take it then the column on the left is a portion of a list that was provided to Ms. Glanz by Mr. Channell?

A Yes.

Q And what is the column on the right?

A I really don't know. I can't imagine what it is.

Q Is that just a continuation of the list? Is it a running total maybe?

A Can you tell what that is?

MR. OSBORNE: Can we go off the record a minute?

[Discussion off the record.]

MR. KAPLAN: Back on the record.

While we were off the record all of us put our heads together and were perspicacious enough to recognize that the column on the right of this Garwood Exhibit 3-I is identical to the column on the left.

Based on that, I withdraw my previous question of the witness.

If I can just clarify my earlier statement, the total at the bottom of the list constitutes the total of each column plus what Mrs. Garwood and her counsel identified off the record as the total of her contribution to the various Channell organizations.

BY MR. KAPLAN:

Q Isn't that correct, Mrs. Garwood?

A That's right.

Q When Mr. Messing told you back in December of 1986 that Mr. Channell took 35 percent of contributions made to his organizations, what was your reaction to that statement?

A I thought it was more than I had realized that he was taking. I was surprised and rather disappointed.

Q Did you believe Mr. Messing?

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A I rather did. He asked me to call someone else and verify it, but I didn't.

Q Who did he ask you to call?

A He asked me to call Mr. Paul Weyrich.

Q And for the record, who is Mr. Weyrich?

A Mr. Weyrich is the head of something called the Free Congress Foundation, and he has various pursuits along that line of helping the Heritage Foundation.

In many ways he may have helped start the Heritage Foundation. As a matter of fact, he did.

Q Did you ever discuss with Mr. Channell Mr. Messing's statement?

A Yes, I did.

Q When was that?

A I think it was in the conversation we had in December, when he called me, and he talked about how he was being accused of being a part of the Iran-contra affair, and I told him either then or when I asked him to send the donations for Colonel North for the Legal Defense Fund of Colonel North, and I think it was that same conversation, yes, to Andy Messing's organization, which was the Marines' Official North Legal Defense Fund, is what it was called, and then I said, But how is it that you are taking 35 percent of everything we give you or something like that, and I think he laughed it off or something.

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. Q Did you press him on it at all?

. A I beg your pardon?

. Q Did you press him on that?

. A Press him on it?

. Q Yes.

. A I doubt it.

. Q Have you made any contributions to Mr. Channell's organization since the time you requested the contribution back for the North Legal Defense Fund?

. A No, I have not.

. Q Why is that?

. A Because I don't intend to. I am disappointed and disillusioned by the 35 percent take that he is purported to take, which he actually didn't deny. I don't believe he denied it. And also because I am very disappointed in the continual obstacles thrown up to the Reagan foreign policy by the State Department, and I have mentioned that before today.

. Q Has Mr. Channell solicited funds from you over the course of the last couple of months?

. A No, but one of his men did, Chris Littledale called and asked me for something and I told him, No, that I wasn't going to give it.

. Q When did he call?

. A It was I think sometime maybe in January this year.

. Q And what did you tell Mr. Littledale?

. A I said, No, I wasn't going to give anything more.

. Q Did you give him a reason why you weren't going to be giving any more money?

. A I don't know that I did. I said, You know, I am not giving any more right now.

. Q Did you have any reason to suspect that Mr. Channell was taking a cut as big as 35 percent, prior to your conversation with Mr. Messing in 1986?

. A The only thing that made me a little suspicious was when he told me he had a surplus in NEPL, and if he sent back that refund, would I send that on to the American Conservative. Trust.

. I must say that that seemed a little odd to me, that he was taking too much, more than he needed evidently, and I didn't like it.

. Q Did you tell him before December, 1986, that you didn't like it?

. A No.

. Q So I take it you kept these suspicions to yourself?

. A Yes, I just kept them to myself.

. Q Was there anything about Mr. Channell that caused you not to question?

. A Yes. I think he had a great desire to help the country, and he was a patriotic person, I really think, and

I still think this, and that he was doing a job that was needed by the administration, and nobody else was doing it as well as he was.

You could tell that by the people who came to all of his meetings, a great many people, and you can see by the donations they gave him.

Q You will notice Mr. Woodcock, my colleague, is offering me questions, and I am going to feel a little bit like Jerry Mahoney, a knucklehead. But I will ask this question in any event.

Was there anything about Mr. Channell's relationship with Colonel North that led you not to question Mr. Channell's integrity or provision of funds to the places that you intended your money to go?

A Well, certainly the fact that he brought me to talk to Colonel North, and what he asked me for later was related to what Colonel North had said, although Colonel North didn't ask me, and this seemed to me a guarantee that this was the executive department of the Government that was asking for this help, and that it was essential and that it was going to the right place.

Q And was it Mr. Channell who conveyed that feeling to you?

A The fact that Mr. Channell took me to see Colonel North, who was part of the National Security Council, and who was part of the administration, of the executive department of the administration, was a kind of reliable gesture on his part, I would think.

. Q So I take it it is fair to say that Mr. Channell and Colonel North conveyed that impression to you?

. A They did, yes.

. MR. KAPLAN: I have no further questions.

. Thank you very much. You have been very patient.

[Whereupon, at 5:10 p.m., the taking of the deposition was concluded.]

Ellen Clayton Garwood

BOYUM/mas

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COPY NO. 1 OF 2 COPIES HSITS-96/87

DEPOSITION OF LT. GENERAL PHILIP C. GAST

Thursday, June 18, 1987

U.S. House of Representatives,
Select Committee to Investigate
Covert Arms Transactions with Iran,
Washington, D. C.

The Committee met, pursuant to call, at 3:10 p.m., in Room H-328, the Capitol, Joseph Saba presiding.

Present: Joseph Saba, Roger Kreuzer, Bob Genzman, on behalf of the House Select Committee.

John Saxon, on behalf of the Senate Select Committee.

Also Present: Jerome H. Silber, General Counsel, Defense Security Assistance Agency, Department of Defense.

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Partially Declassified/Released on 1-13-88
under provisions of E.O. 12356
by N. Menan, National Security Council

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Whereupon,

LT. GENERAL PHILIP C. GAST, was called as a witness, and having been first duly sworn, was examined and testified as follows:

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Sir, would you please for the record state your name, rank, organization and present station.

A I am Philip C. Gast, with one "l", P-h-i-l-i-p, C., Gast, Lt. General, Air Force. I am the Director of the Defense Security Assistance Agency, and my office is in the Pentagon.

Q And, sir, can you tell us how long you have been at that station and what was your immediate station prior to this?

A I have been the Director of the DSAA since I believe it is 11 August, 1982. Prior to that time I served a two-year tour as Director for Operations in the Joint Chiefs of Staff.

Q And, sir, to whom do you report in your present duty?

A Dr. Fred I[illegible]kle, Under Secretary for Policy in the Defense Department.

Q Would you describe very briefly for us what your duties consist of?

A My principal duty is to implement the approved security assistance programs on a worldwide basis. In general, sir.

Q In general, sir, what information do you normally provide to your superiors concerning the disposition of arms transferred?

A Arms that have already been transferred?

Q Yes, sir.

MR. SILBER: I am sorry, I don't understand.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Asked another way, do you keep track of how the transferee country uses the arms?

A Oh.

Q Or otherwise disposes of them.

A Yes, yes.

The first thing is I would say when a country does transfer them by our law and by agreement between our two governments, they must seek approval from the United States before they transfer them. And we are generally involved in that although that is principally a State Department function to approve them, but we have a voice in that depending on the nature of the transfer.

Q And --

A And to the level of visibility. So far as compliance with the use of them we have security assistance organizations in the country who monitor generally the usage of the equipment and then we all watch for intelligence reports that might indicate that somebody is thinking of moving or contemplating moving them.

Q Could you elaborate a bit on our mechanisms for keeping track of the weapons that we have transferred?

A The strongest -- if it is a cash sale or it has been subsequent to the new MAP procedures which is the sale in itself, the strongest principal here is the government to government agreements, that they shall not do that; and a clear understanding with them even before we begin a security assistance relationship, but throughout the whole procedure, that is to say they must sign to that and if it is an old MAP program then our people have the duties to ask for reports about the location and the general condition of the equipment. But that generally is prior to '77 or '78.

MR. SAXON: And MAP stands for what?

THE WITNESS: Old military assistance program. That was the old program where we bought it and gave it to them. Now again we provide funds or they have their own national funds and they procure.

BY MR. SABA:

Q This was for equipment, what you referred to as the old MAP program is for equipment transferred prior to when?

A Generally prior to '76, '77, '78.

Q And is monitoring of that equipment continuing?

A Yes, that continues. The reason is because its U.S. title and assets have been transferred to them unless we have waived reversionary rights and we have reversionary rights to that, and so when they have finished with that old equipment under the old programs, then they even have to have permission from us before they can destroy it or put it out of use or, certainly transfer. Under the newer procedures since '76, '77, so forth, even though we may provide funds for them, appropriated funds from Congress, that is, it is a sale and they have title to it and we have no reversionary rights so we are not tasked by the law to physically monitor its end use because it is their equipment.

MR. SILBER: Can I make one correction. The new MAP procedures started in '82, but most of old MAP was programmed by '77 or '78, but there was a hiatus where old MAP procedures were still used and there was a small program that was being delivered out.

THE WITNESS: That is right, yes.

BY MR. SABA:

Q Focusing on the old MAP program or weapons transferred under that system in which the United States had reversionary rights. Focusing specifically on Israel, how do we keep track of those arms?

A Well, I don't really -- I doubt if we have very much MAP equipment under the old system in Israel.

MR. SILBER: No, Israel never got any MAP.

THE WITNESS: I just don't think we have any under that system.

BY MR. SABA:

Q Jerry, I do appreciate your help but I must have the testimony from the sworn witness.

MR. SILBER: I am sorry.

MR. SABA: I need the information from his knowledge.

THE WITNESS: As I recall, I just don't believe there is any MAP equipment under the old program.

BY MR. SABA:

Q What about as an example, HAWKs and TOW missiles that were transferred to Israel after 1967 but before 1976?

A To my knowledge -- I don't know about that part of history. I really don't. You know, as to whether or what kind of program was there. I can only say to my knowledge since I have been in my position that we do not have a system where we go around and inspect or even account for items provided to Israel.

Q So that if there is equipment in Israel transferred under the old MAP program, is it your testimony that at the present time we have no way of monitoring their use or disposition of that equipment.

A Except by agreements that we have with them.

Q But I understand -- just so I understand, I understand that for that old MAP program we retained reversionary rights.

A That is right.

Q And we monitor those.

A We monitor them in the sense that -- the first thing is I don't believe we have any old MAP equipment there. We have not had a security assistance office in that country since I can recall, and I doubt if we ever had one.

There is a defense attache there who does some work in security assistance, but it is very, very, very minimal, usually arranging conference rooms, hotel rooms for people who come in whenever there are conferences in Tel Aviv.

Many of us go to Israel frequently on visits to conduct business but the most of the security assistance or arms transfers is a direct relationship between their government and Washington or even the New York procurement office and ourselves.

Q Would most of this equipment have been transferred by means of an agreement called "United States Department of Defense Offer and Acceptance"?

A A lot of it would. But there is quite a bit of equipment that is provided under a commercial sale to Israel as well but I don't think any of the things that you are concerned about if you are concerned about HAWKs or other things would have been sold commercially.

Q I would be concerned about HAWKs and TOWs.

A I doubt if they would have been sold commercially, I don't think they would have been. They would have been under the 1513, LOA. DD Form 1513.

MR. SAXON: LOA is what?

THE WITNESS: Letter of Offer and Acceptance. It is a standard form that has been developed over the years. And has all the matters of law in it and some policy.

BY MR. SABA:

Q You have before you now, sir, a form entitled at the lower left "DD Form 1513".

A That is the one.

Q And is this the document which would constitute an agreement between the United States and a transferee?

A Yes, that is right.

Q And, sir, I would call your attention specifically to page 3 of that agreement and with apologies for the small print, I would draw your attention to the underlying sentence --

A Under 9?

Q Underlined sentence in paragraph 9 and ask whether your understanding is that that paragraph, in particular that sentence controls the further disposition of the weapons by a transferee country?

A Let me read it, please.

MR. SILBER: You mean paragraph B-9?

MR. SABA: Yes.

(Exhibit No. PCG-1 was marked for identification.)

THE WITNESS: This is a, virtually a lift-out of the law and it is the agreement for the transfer of equipment.

BY MR. SABA:

Q Thank you.

With respect to transfers, sir, pursuant to this agreement to Israel, and specifically focusing on HAWK and TOW transfers, what steps if any has your agency undertaken to keep track of or to police if you will, this clause in our agreement with Israel?

A Specifically with Israel?

Q Yes, sir.

A I don't think that I would be accurate by saying any more so for Israel than for other countries in the sense of how we track these things, except on occasion we have had some concern about some of the items they were procuring in my business as to whether they were quantities or not that should be procured.

Q But my question is how do we keep track of the equipment?

A Well, I only -- only through discussions with them. You know, I don't ever recall them or seldom recall hearing them suggesting they want to transfer things but there have been discussions about them transferring either the articles or portions of it that have U.S. content in it. You may remember the Kafir sale discussed for Honduras, for example.

It is usually through intelligence sources that we look for anyone who might be in the arms transferring business or who might be contemplating a sale or movement of that. We watch for that, we and the State Department who has the lead but we support them in that.

MR. SAXON: We should say for the record for clarity purposes for subsequent readers of the deposition that the language in B-9 actually says that with regard to whatever defense articles, components and associated support material is purchased it says, the recipient "shall not use or permit their use for purposes other than those authorized by B-8 above unless the written consent of the USG"-- meaning the United States Government -- "has first been obtained."

BY MR. SABA:

Q Further to that, B-8 above states, that the items sold shall only be used for the purpose specified in bilateral or regional defense treaty to which the U.S. Government and purchaser are both parties, if subparagraph A of this paragraph is inapplicable.

A Yes.

Q Returning, sir, to the question I had as to monitoring, does the defense attache in Israel undertake any activities to monitor the disposition of weapons transferred pursuant to this agreement?

A I don't know that he has a -- I do not believe that he is tasked on drawing on law or policy except that all of us who are involved in this are going to be looking for any illegal transfers, of course.

Q So it is correct to say that there is no formal requirement whether a matter of law or policy to task specific individuals with monitoring this equipment?

A To either count or observe, but in certain conditions there may be a policy, for example, and this does not refer to Israel because they didn't refer to them but to man pads, and Stingers of course as you know we have a requirement to go out and inspect them, but that is because of congressional and administrative concerns because they may be used for terrorists, we want to be sure they are closely controlled.

MR. KREUZER: What is a man pad, sir?

THE WITNESS: It is a man packed air defense weapon, the Stinger for example. And there are policy directions for example on certain sensitive equipment and the Stinger is one of them where there has been great concern that one might fall into terrorist hands and therefore we do go around about once a year and insist upon a check to be sure that all of those are accounted for.

The concern here being that they would fall into terrorist hands.

MR. KREUZER: Could I ask just one more question, in relation to what Mr. Saba was discussing, in the history of the Security Assistance Agency, has there ever been an occasion where the Security Assistance Agency has cited anyone or fined anyone or prohibited further sales to anyone or taking any censure or action against any country who, say, transferred weapons to a third country where sales had been prohibited where you have taken action, you have fined or have taken punitive action against anyone at all because of you, through monitoring you discovered that someone had violated the provisions of this agreement that we are talking about here, Exhibit 1?

THE WITNESS: I am sure I have, but I don't remember any of them personally, on my watch.

I know that we have worked with State and others to show concern about some that, that countries have not shown high regard for that and to try to track them down to see whether in fact people were violating the agreement or not.

I know that State Department has taken some actions, and one or two have been classified and reported to Congress on countries that did transfer some arms. Our agency continues to routinely express concern in dealing with countries about the transfer. It is just a matter of course in our relationship with them, particularly when we are forming a new relationship with a country to be sure that they understand fully the agreement that we are going to require that they sign before we initiate any program so that they will understand it.

Some countries take a long time before they decide they want to do business with the United States because they don't like to do, to sign this. They think their sovereignty is being -- by signing this agreement. It is a one-sided agreement, very one-sided they would argue. But all of them to my knowledge comply with it. It is a very, very fast document. There is no other document in the world insofar as arms transferring.

MR. KREUZER: Wasn't there an occurrence or occurrences in the recent past involving for example parts from F-14 TOMCAT Navy fighters that got -- that were suspected of having gone from Israel to Iran, for example?

A If there was, I was not part of that. Not that action. I was not party to that action.

BY MR. SABA:

Q Sir, do we, to your knowledge is there a program, active solicitation of intelligence information [redacted]

A I would say there is, yes.

Q And how does that work?

A Generally, the way it generally works [redacted] [redacted] that if anyone sees an intelligence report, it is evaluated or we try to evaluate it, sometimes we track it down but our members in other countries where it is rumored to have been transferred or people are talking about it to see if they know anything about it. This is all generally reported through the intelligence people to the ISA or ISB who becomes very concerned about it. From a political level as well as compliance with the law and also the State Department. It would be the State Department that would generally take the action or would enter into a dialogue with the country when there is a serious concern.

Q Would you routinely see all such intelligence reports?

A No, I wouldn't routinely see it. I get stacks every day but many of us are looking for that.

Q My question is not that you necessarily would personally read everything but my question is whether that material would routinely come to your attention?

A Yes, I would say it would routinely come to my attention. Of course the people in DIA who provide this material to me obviously screen it itself to see if there is any value in it.

Q Would you also see intelligence information from the CIA?

A Some, quite a bit, CIA reports probably more than they should. Some of it is hardly believable frankly. They report to much that it is very hard to determine, to know what is behind some of it. They listen to any source and put out a report and it becomes a little frustrating, but --

Q [redacted]

A [redacted]

Q And would you also receive information from the State Department?

A Some, yes.

Q So it would be correct that intelligence information from various agencies [redacted] generally routinely come to your attention for review?

A It comes to me for review, there is only one or two of us that see it because of the [redacted] [redacted] It is very highly classified. A lot of it is very highly classified.

Q Since the time you have been director of the office, 11 August, 1982, have you had occasion to see reports concerning [redacted] [redacted]

A I have seen allegations to that effect. [redacted] We have tracked that. I have expressed concern about it just because of the number of reports that we see. Those are reported on up but to my knowledge no one has ever been able to really determine that there had been an illegal transfer.

Q Are these reports frequent in this period over the five years?

A Oh, I would say, oh, every 3 or 4 months, something like that. But if you have been around for a while you would focus on them.

Q In the entire five-year period do you recall having seen reports of detailing allegations of Israeli transfers of HAWKs or TOWs to Iran?

A No. None whatsoever.

MR. SAXON: General, let me follow up on something you said with regard to seeing allegations but no --

THE WITNESS: Or information, yes.

MR. SAXON: But no hard evidence to confirm these allegations. I don't want my question to be misunderstood because I am not alleging any insincerity on the part of the Pentagon or lack of effort because I understand our relations with our allies are delicate and there are lots of considerations and so forth, but has there been a concerted effort to investigate these allegations or is it more a gentlemanly asking ahead of State or Defense Minister of another country, are you doing this, and they say, well, of course not, and we accept it and drop it?

THE WITNESS: I want to put something in context and then try to answer your question.

The principal concern that we have had for country to include Israel is not whether they are transferring the end item itself because that is very difficult to do, one can see that this agreement is violated, but the principal concern -- one of the principal concerns we have is whether technology that they procure is used in another weapons system or not, and sold abroad which is a violation of our agreement as well.

That is harder to determine as to whether the technology has been put in. It not only applies to Israel but other countries. You know, are they reverse engineering or are they using the material which can be used to upgrade a system that they are designing and providing themselves?

That is the principal concern that we have had with Israel and with other countries.

There has been a great deal of discussion with Israel and with other countries as to whether or not this is ongoing and we express this concern quite often to countries. To my knowledge there has not been a formal investigation. We have talked about it, we have sat down and reviewed the data and I have talked to our representatives in some other countries which would lead you to think that maybe this is occurring, and we have not been able to determine whether it is or not. But on the other hand, I must hasten to add that I have received no guidance to cool it, either. We have all been looking because we view it as a very serious thing. But one doesn't go to a country based on allegations either until you have something in hand that you feel comfortable with. I mean on a specific case.

BY MR. SABA:

Q Focusing on the 1985 year, do you recall receiving any reports from whatever source that Israel had been involved in a transfer of TOWs or HAWKs to Iran?

A No, not that I can recall.

Q No information from [redacted]

A No. I do not recall any. If I did, I am sure it would have sparked my interest but I don't recall seeing any.

Q All right, sir.

MR. SILBER: Is that transfers to Iran or to anybody?

MR. SABA: To anybody.

THE WITNESS: Right, HAWK or TOWs.

BY MR. SABA:

Q HAWK or TOWs. I did not ask Iran. I asked to anyone.

A Right.

Q Had Israel made any requests that you are aware of to transfer HAWKs or TOWs to any third party in 1985?

A Not that I am aware of.

Q Had any paperwork been presented to you in anticipation of a possible request for a transfer of HAWK or TOWs to anybody in 1985 by Israel?

A Under the Arms Export Control Act?

Q My question is --

A Not in that regard.

Q My question is general.

A All right, well so far as transferring of equipment through the FAA, Foreign Assistance Act, or Arms Export Control Act, no, however as I mentioned to you in our informal discussions in early May, there was this issue of TOWs and/or HAWKs that were being discussed.

Q And this was when, sir?

A Early -- May was when I think I was interviewed.

MR. SAXON: May 7.

MR. SILBER: Of this year.

BY MR. SABA:

Q I see. You are referring to an interview that took place this year 1987, May.

A Yes, and I think I replied.

Q In which John Saxon was present.

A Yes.

Q I see. Your reference to May is not May of 1985?

A No, it is not. No.

Q Just so I have it clear, so I have a clear record, I understand your testimony that in 1985 you had no information concerning transfer by Israel of HAWKs or TOWs to any third party and -- is that correct?

A That is right. I was totally surprised when I read about the revelations that any had been.

Q Second, is it correct to say that your testimony is that in 1985 you had no paperwork or inquiries that might have been preliminary in some way to a request for a transfer of HAWKs or TOWs by Israel to some third party country?

A That is right, yes.

Q All right, sir.

I would like to turn specifically to the events of November 1985 and is it correct, sir, that in the week of November 19, 1985 you were not at your office at the Pentagon?

A I am going to refer to a piece of paper if you will, because I anticipated this might come up and I asked my secretary to search our records as to the period I was away.

Q Yes, sir.

A I have that here.

MR. SABA: Can we go off the record for a moment then.

(Discussion off the record.)

UNCLASSIFIED

BY MR. SABA:

Q Back on the record.

General Gast, I understand that you are going to refer to a document prepared by your secretary. It would be Exhibit 2 for this deposition. I would ask you to explain the document which will become Exhibit 2.

(Exhibit No. PGC-2 was marked for identification.)

THE WITNESS: I would be glad do. I asked my secretary I believe on the 17th --

MR. SILBER: Yesterday.

MR. SABA: 17 June of this year.

THE WITNESS: Yes. Because of anticipation in this deposition that questions might arise as to when I was in Washington for duty, and she has typed for me from her records that indicate when I was away on temporary duty out of Washington.

BY MR. SABA:

Q And this record is from your secretary's memorandum or calendar?

A Files, yes.

Q Is it prepared from your own calendar?

A I don't know. I failed to ask her where. I presume it is from the actual record of temporary duty that you have to file travel voucher for and all that. It is probably an accurate record though, she is very precise.

UNCLASSIFIED

Q This document will be Exhibit 2.

Sir, can you tell us where you were on the week of 19 November, 1985?

A From, her information indicates that I was absent from Washington 15 November '85 through the 23rd. Presumably I was in my office on the 14th and I am not sure whether the 24th is a weekend or not but I returned to Washington on the 23rd.

The principal purpose of the trip was to go to Pakistan where we have consultative group meetings that usually last several days. When we are traveling we normally take advantage of the time distance and we went by Bahrain, a few of us did and I had business in Germany on the way home as well.

Q Do you recall that her record of this period is correct?

A I would think that it is correct, yes. I would say that it is.

Q And you recall being in Pakistan approximately at that time?

A Yes, I do, yes.

Q Fine. Sir, on return to Washington, to your office in Washington did you have occasion to be briefed by your staff?

A Yes. As is my practice when I am gone away for them to brief me on all happenings of any significance while I am gone.

Q Would it have been in the normal course of business that Dr. Henry Gaffney would have provided you with such a briefing on your return?

A Yes.

Q And --

A Normal course in the sense of that he would come to see me or Mr. Rudd or anyone, you know, with anything of significance.

MR. SILBER: If Rudd was there --

THE WITNESS: I am not sure whether Rudd was there or not.

MR. SAXON: That would be Mr. Glenn Rudd, the Deputy Director.

THE WITNESS: Mr. Glenn Rudd would have been the Acting Director and I presume he was there because we had tried to avoid both of us being gone at the same time. It is not always possible but --

BY MR. SABA:

Q Do you recall if on that particular week Mr. Rudd was in Washington or not? And would it help if I indicated that Mr. Rudd has in another deposition indicated that he was at a conference that week in Hawaii.

A It is very likely he might have been because that -- oh, yes, I remember that. I think I remember that because -- he probably was at -- if he was gone at that time he would have been at the Pacific Commander's Security Assistance Conference, and that is traditionally in November and that was one of the occasions where we just simply had to have representation there. I normally go to them. It is seldom I do not go to them, but due to the importance of this meeting in Pakistan it was felt one of us needed to go to them, and I chose to go to the one in Pakistan.

Q In the absence, you and Mr. Rudd's absence, who would be the acting director of --

A It is normally Dr. Gaffney.

Q Is it your recollection of that week that Dr. Gaffney was the acting director?

A I would say so, yes. I would say so.

Q And upon your return to the office, did Dr. Gaffney have an occasion to brief you as to the activities in the office while you were gone?

A I am sure he did. If there were some activities conducted during that time period he would have told me about it. I have no reason to think that he would not have. Although I don't remember the precise discussion or the matters discussed.

Q I am going to show you a document and I will give you a few moments to take a look at it, and we will have it marked Exhibit 3 for this deposition.

(Exhibit No. PCG-3 was marked for identification.)

MR. SILBER: Can we just go off the record for a second.

MR. SABA: If you wish, we can go off the record.

(Discussion off the record.)

BY MR. SABA:

Q Back on the record.

Let the record show that General Gast has had a few moments to review Exhibit 3.

Sir, do you recall Dr. Gaffney providing you a copy of this paper upon your return to the office?

A I do not recall the paper per se when I returned to the office. I just simply do not recall.

Q Can you -- can you tell us what you do recall in your own words?

A I recall this while I was gone there were some discussions about HAWK. I remember being surprised that there were even discussions about the HAWK to be transferred to anyone, particularly Iran.

MR. SAXON: Why do you say that?

THE WITNESS: Well, I say it because to my knowledge we did not have a relationship with Iran. I saw that that would be, in my view, quite illogical from the point of view of foreign policy implications to transfer something to Iran and given the stance we have taken on the Gulf War.

BY MR. SABA:

Q Was it your understanding that there had been a well-known and open public policy against transferring weapons to Iran?

A Oh, yes.

Q Whether directly or consenting to a third party transfer.

A Unquestionably, yes, because of the Administrations position on neutrality, particularly not wishing to provide aid to either side.

Q So you were surprised when the discussion came up concerning HAWKs.

A Yes, very much so.

Q And what do you recall of that discussion with Dr. Gaffney?

A I don't recall specifics but I am sure that I was quite aghast at even that it had come up. I asked him if -- I am sure I must have asked him if we provided them, but I just don't recall the details. I more or less had forgotten about it, you know, in fact the first time I remember seeing this paper was when the call came to look for records. That is the first time I recall seeing the paper although I acknowledge I must have seen it before.

Q Did Dr. Gaffney tell you that he was providing this information to either Noel Koch or General Powell or both of them?

A Noel Koch stands in my mind, that that would have been the person he was providing it to.

Q Would it have been customary to have Noel Koch to come to someone in your office to request such information?

A It would not be unusual. I expect at that time he might have been the acting ASD as well, but I doubt it. I am not sure that he was. But he may have been. Assuming that he was, if somebody was contemplating doing something like this or asking for information under those circumstances, it would not have been unusual for Mr. Koch to have asked us for the information.

Q Was it your understanding from Dr. Gaffney that there were discussions and inquiries as to the possible provision of HAWK missiles to Iran?

A I am sure there were, but the way I recall it there were additional missiles to go to Israel -- come to think about it I expect there was identification that they would go to Iran. I am sure there were.

Q But you understood that Israel was the intermediary?

A Yes.

Q And did Dr. Gaffney indicate what the outcome of this exercise was or would be?

A No, he did not. No. In fact both of us rather assumed it would go away, I think.

Q Upon receipt of this information from Dr. Gaffney did you make further inquiry of anyone, including Dr. Gaffney?

A I would expect that normally that he and Glenn Rudd and I discussed it together. We probably did. You know, to say we did not would be wrong because that is not our way of operations, you know, one was had we provided the information that was requested and we sufficiently caveated what we provided, the legality of someone doing something with the information or to pursue something, yes. Because that is my principal, one of my principal duties is to advise people of compliance with the law and I am -- it is my organization that finally signs the documents that permits the transfer after it has been approved by the State Department.

Q So your recollection is that at the time you would have been concerned about the legality of a transfer?

A Yes.

Q A transfer of HAWK missiles by Israel?

A Yes.

Q Do you recall --

A Under the Arms Export Control Act, yes.

Q Do you recall if you were satisfied that Dr. Gaffney had sufficiently addressed the issue?

A I am sure that if I had I would have followed it through, yes.

Q Do you recall making further inquiry on this matter, whether at that time or at any time subsequent to people other than Dr. Gaffney or Mr. Rudd?

A No, I do not.

Q Specifically I would be interested in whether you had reason to make an inquiry or have a discussion on this matter with Noel Koch?

A No, I don't believe that I did.

Q Richard Armitage?

A No, I don't believe I did.

Q General Colin Powell?

A No.

Q Under Secretary Taft?

A No.

Q Secretary Weinberger?

A No.

Q Dr. I[illegible]kle?

A No.

MR. SAXON: Did you inform Dr. I[illegible]kle about this?

THE WITNESS: No.

MR. SAXON: Given that you reported to him is there any reason in particular why you didn't?

THE WITNESS: Well, I reported to him. I also wear another hat there as Assistant Secretary to ISA and ISP for security systems policy and working with them to develop policy. It isn't something that I would intentionally keep from him. I am sure I must have felt that the people had been informed of the legalities of it satisfactorily without bringing it to his attention.

BY MR. SABO:

Q Do you recall at this time or any time subsequent any discussions with any other person concerning HAWK missiles and a transfer by Israel.

A No.

Q Sc that your recollection is that your discussions were limited to Dr. Gaffney and perhaps Glenn Rudd?

A Yes.

Q Do you recall in this period -- and I will begin the period with July 1, '85 and end the period with approximately January 18, 1986 --

MR. SILBER: This is when?

THE WITNESS: July '85 to January '86.

BY MR. SABA:

Q July 1, 1985 to January 18, 1986. My question for that period -- I have a few questions for this period.

A Okay.

MR. SAXON: If you are ready to go to the broader period and leave the point paper I have a couple follow-ups on that.

MR. SABA: I want to come back to the point paper.

MR. SAXON: That is right. I want to go a little further here at the moment.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q Were there any inquiries that you know of by anyone acting on behalf of the Israeli government as to the price of HAWK missiles?

A No, I don't recall any, no.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q As to requirements, possibilities, modalities, of possible transfer of HAWK missiles?

A I don't recall that.

Q I have the same questions as to TOW missiles.

A No. Same answer.

Q Any communications from the Israeli purchasing office in New York that you know of in this period concerning, in any way concerning HAWKs or TOWs?

A I don't recall them. There may have been but I don't recall any.

Q Were there any inquiries to you from anyone on the National Security Council?

A No.

Q Concerning HAWKs or TOWs in that period?

A No, not that I am -- not that I can recall.

Q Returning back to Dr. Gaffney's point paper for the sake of these questions which I have and perhaps Mr. John Saxon has, again I would ask you if you recall having received a copy of this paper, either upon your return from your trip or at any period subsequent to then in 1985 or 1986?

A Well, I believe I have already said that the only other time that I can recall seeing the paper specifically was when it was on the records search as a result of this.

Q All right.

A I also recall when I saw it, of having some familiarity with it, at least the discussions or the items in it. But I don't remember just when I saw it and it probably was right after I returned.

Q All right.

A I had all but forgotten the subject, in fact had forgotten about it.

Q Could you please turn to what is page 2 of this exhibit.

end mas

#2

jm 1

Sir, I would like to go through this paper briefly asking you to look at the various statements and determine whether the facts stated seem accurate for the period involved, which was November 1985. Beginning at the very top of the paper, the point saying, "missiles are available."

Do you recall if the facts are generally correct?

A If it is -- I accept the general characterization that missiles would be available, that is probably true. I don't know about the numbers or the country, but certainly when asked for information we can definitely inform as to other procurement or other purchases; so this is not an unreasonable entry here at all.

Q Do you recall if at the time you were aware of a shipment then in progress of approximately 100 HAWK missiles to Israel?

A No, I don't recall that.

Q All right.

MR. SAXON: They would have on order since, I believe, 1982?

THE WITNESS: I would not have known necessarily that they were in transit.

BY MR. SABA:

Q That was not a fact that you were then acquainted with immediately?

A No.

Q Moving to the next point, there are two numbers, one, indicating approximate cost of $300,000, and an estimate as to replacement cost of approximately $437,000 per piece.

Does that sound generally accurate for HAWKs at that time?

A I really can't comment on that. I really -- I could say that it is ballpark, but if someone were to ask how much a HAWK missile costs, I would have to say I don't know. I really don't.

Q Moving down the page to the point commencing with the words "the modalities for sale to Iran present formible difficulties" colon, and there are three points. I would ask you to comment generally as to the accurate at the time of each of those three points.

A I would say, "1" is accurate.

Q So you believe it is accurate to state that Iran is not certified for sales?

A Yes.

Q Directly as a third country, per section 3 of the Arms Export Control Act?

A Yes.

Q And the next point sir?

A Yes, I would agree with Point 2 and 3.

Q Moving to the next paragraph, "that it is conceivable this sale could be broken into three or four packages"; would

A Let me go back and make one small comment.

Q Yes, sir.

A He points out that the 30 days can be waived for direct sales, but the third country transfer is on such provision and notice must still be given. I agree with the last part, but I think even a direct sale, it has to go under another provision of the law that the Congress has to be notified.

So it is not quite accurate, that particular statement. They would have to be notified of a cash sale or direct sale under another provision of the law.

Q All right.

Moving on to the next main paragraph commencing with "It is conceivable that the sale could be broken into three or four packages in order to evade congressional notice," could you please look at that statement and the next two points under that?

A I agree with both of those.

Q Do you know of any circumstance in which a sale to a country under FMS or MAP was so broken into packages to evade or avoid congressional notification?

A No, I do not.

Q Is it correct---

A Not on my watch.

Q Is it correct that during the period you were director that it had been the spirit and the practice that

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administrations had---

A Right, had lumped them together.

Q Had observed the notification requirement?

A Yes, sir.

Q Moving to the next page of the point paper, I would ask you to look at each of the five sub-points there and indicate whether you would generally agree with those points in the context of the period, November 1985?

A I certainly agree with Number 1.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q That being?

A If Iraq ever found out -- it begins that way -- there are five points here, and I will start at the top.

Q General, it would probably help for the record, you don't have to read each of them, but just state the essence of what the point is you agreed to.

A I would agree with the comment here that if Iraq ever found out they would be greatly irritated.

I also agree with the point that Saudi Arabia and other Gulf states would also be irritated and alarmed.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Sir, as to those two points, would your agreement be based on your own knowledge of our relations at that time with those countries?

A Yes.

Q So that you would be willing to adopt those comments as your own at that time?

A Certainly, yes. No question.

Q Please continue.

A As to the one, "If Israel were used as the laundering country, they would be greatly encouraged to continue to sell to Iran and to expand their sales" -- I can't quite agree to the "continuing," because I have no knowledge that they were continuing.

I don't know whether Hank Gaffney had felt that he had that information or not, but I did not.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q But would it be safe to say that they would feel like any constraint on them would be removed?

A If they were so inclined, say, that that would be the case. If Israel was so inclined to sell arms to another country and we obliged, or agreed, or somehow or another said yes, go ahead once, why, yes, people would be inclined to pursue that. Whether they would do it, illegally or not, I am not in a position to say. But I am not saying, nor am I suggesting that Israel was, in fact, selling to them, because I have no knowledge of it, that in

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fact they were, if they were. If it were to become known, all bars would be removed from sales to other countries that are listed here, I would agree with that.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q What would be the bars that might have been referred to; could this be our own policy?

A This is U.S. policy in working with our allies and friends in order to try to end the war, to bring them to some sort of reconciliation, that we would not provide assistance to either country -- and we have been working very hard with other countries, particularly if it involved any of our technology obviously; but secondly, as a matter of policy for them not to sell.

Q Would you say it was correct at that time that we had had a policy of actively discouraging our allies and friends?

A Oh, I would say so. I can't recall the precise time, but I am sure that it was, because it has been a long-standing policy. Probably as I recall from the very beginning of the outbreak of the war, which was when, 19---

Q 1980.

A 1980. But I can't speak to the first two years, but certainly by then it was very clear policy.

Q Sir, referring to your travel schedule in the period, November 1985 to approximately May of 1986, in which you have visited a large number of countries including Germany, Bahrain, Pakistan, Greece, Tunisia, Italy, Kenya, Saudi Arabia, Jordan, Israel, Egypt, Turkey, Korea, Japan, Philippines, Australia, Spain, Portugal, France and the United Kingdom, would it be correct that on those visits, or in connection with those visits, the issue of transfer of arms to Iran would have arisen or that you would have expressed your, the United States' policy against transfer of arms?

A I doubt that ever came up, quite frankly, in many of those discussions. I doubt if it did, because it was such a well-known statement by senior Administration officials. My work has to do with implementation of the current programs or things they are thinking about procuring and---

Q Would it be accurate then that it was understood in those countries?

A Oh, yes, no question about that.

Q That we would oppose the transfer?

A Yes, but I don't recall there being an agenda item of -- in any of my conversations.

Q All right.

Continuing, sir, to the last point. I would ask you to comment on the general accuracy?

A On the last point?

Q Yes, sir.

A Yes, I would agree with that.

Q Thank you, sir.

I would ask you to take a look at the four pages of handwritten notes, which follow the typewritten pages in this exhibit?

A Right.

Q And I would ask you whether you had ever seen any one or all of them?

A On about the 12th of December of 1986, when the records search produced them.

Q So you did not in November of 1985 or in or at the present time prior to December 1986---

A I don't recall seeing these, any of these attachments, no. I presume that these are Dr. Gaffney's personal notes, tasking notes or something of that nature. That is what they look like.

Q I want to move to another area, unless John has some questions?

MR. SAXON: Let me ask a couple follow-up questions on the Gaffney point paper, and your discussions or any discussions you would have had with Dr. Gaffney.

Did you ask him when you returned from this trip and he briefed you in someway, and you did recall something along those lines---

THE WITNESS: Yes.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q Did you ask him who had given him this mission or who tasked him to provide this?

A I don't recall any specific questions. I am sure that I did, though, because---

Q And could you recall what he might have told you?

A No, I don't. But I concluded that it was Noel Koch, from the time period and all, but that is only a conclusion on my part. I do not recall the specific question.

Q Do you recall if he mentioned the name of General Colin Powell?

A Well, I know that at the time when we, you know, on the records search that came out, I really would be speculating to say that he mentioned Colin Powell at that time.

Q Do you recall if he mentioned the National Security Council or that this was done---

A No, I don't recall that at all.

Q Do you recall if he mentioned this was being done in order to prepare Secretary Weinberger for a meeting at the White House?

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A No, I do not.

Q Do you recall if he said or if you asked whether this was done with the knowledge or approval of the Secretary of Defense?

A No, I don't recall that.

Q Finally, do you recall asking him why he was tasked with working up this information? Or do you recall him saying why?

A Hear again, because he is very thorough and I think I am, too, I am sure I asked those kinds of questions as to the motivation of the background of what was behind it. I think when I -- I remember when this document was, through the records search, I think I remember it, being surprised to recall that Iran was involved, because I just simply forgot it, but it was there. But after reflection, I am sure that I understood that Iran was involved, because I am sure I saw this piece of paper.

As I said to you earlier, it was a complete surprise to me, these revelations.

Q I want to ask one other question.

A I do believe I don't think I, at the time, thought it was a serious undertaking though.

Q If I understand your last statement, you thought this was being looked at, explored, but perhaps not a serious---

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A Right. I saw no evidence from there on that would have cuased me to rethink of it.

Q Would that, perhaps, explain why you saw no need to go on to Dr. I[illegible]kle about it?

A I am going to presume that Noel Koch would again, as I recall was the acting deputy for Mr. Armitage at the time, Mr. Amritage would have been in that same conf^erence I was in because of the nature of the conference, that he would have reported it through Dr. I[illegible]kle.

Q All right.

A But I certainly, I do not recall, nor do I believe that I mentioned it to Dr. I[illegible]kle.

Q That is all I have on this.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Sir, just one more question on the HAWKs for a moment.

Do you recall if at any time after 19 November 1985, you might have seen some information to the effect that roughly between the period 19 November 1985 and the end of the month, there was, in fact, a transfer of HAWK missiles from Israel to Iran?

A I do not recall seeing anything that would lead me to think there was.

Q All right, sir, just after this briefing by Dr.

Gaffney, do you have any knowledge concerning any inquiries made to your office concerning price and availability of TOW missiles?

A I seem to recall that there was a similar exercise, on reflection about it. But I can't recall any details or the nature of that.

Q Do you recall -- when was this? Very shortly after Dr. Gaffney spoke to you about the HAWK paper?

A It was probably -- no, I do not recall, but it certainly has been more than a year. It is so far back there that I can't really recall.

Q Do you recall being inquired of as to any specific facts, price, availability?

A No.

Q Destination?

A No.

Q Do you recall seeing any paper from anyone, draft or otherwise, being prepared in respect of TOW missiles?

A I think I recall seeing a piece of paper with numbers and prices. I think I recall seeing that, but I can't put it into perspective or just where it was.

Q Do you recall who would have discussed that with you?

A I think it was probably Mr. Glen Rudd. That is the best that I can recall.

Q Do you recall the context of that conversation, for whom he was preparing the paper, for example?

A I think it was for Mr. Armitage.

Q Am I correct, is it a paper you had requested?

A I don't know. I am trying to give you as honest an answer as I can, and I would not say that it wasn't, but I don't recall that I tasked someone to do that. I remember the incident or something about it, but I do not recall any---

Q Do you remember being involved in the drafting of such a paper?

A No, I do not.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q I was just going to see if I could help you pinpoint this in terms of time.

A Sure.

Q I know we are asking you to do something difficult because it was a year or year and a half ago.

A I understand, it is very important though.

Q And someone doesn't necessarily know at the time there is any reason to remember it?

A No.

Q One of the things we found helpful in our many interviews and depositions is people can peg things to, it was before Christmas; it was after Thanksgiving; I got a call on

Superbowl weekend; my kids were going back to college, or whatever; can you think of any other interests going on at that time of people who were on leave, people who were in the office, anything that helps you date this?

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Notice, for example, that on the 6th of December 1985, you had a trip to Hanscom Air Force Base in Massachusetts. Perhaps that might help.

A No, it doesn't. No. I remember the trip, but I don't remember it being linked to anything that would spring my recollection on that.

Q In regards to this paper which you recall Mr. Rudd was somehow involved in preparing, is it -- it was your understanding that the paper was being prepared for Mr. Amritage?

A Yes, I think so. It would have been someone in ISA, either he or Mr. Koch, I am sure.

Q Do you recall ever being shown a final version of that paper?

A No, I do not.

Q Do you have in your possession a final or a draft version of that paper?

A No, no, we provided all that we had. I hope we provided all we had. We conducted a very thorough search in December.

Q I am not necessarily questioning that, sir, but---

A No, we do not.

Q But I must ask the questions.

A No, no.

Q Any notes that might have related to that paper?

A No, no.

Q Do you recall making any inquiry as to Mr. Armitage about that paper?

A No, I do not.

Q Do you recall Mr. Armitage discussing it with you on any occasion?

A I do not remember, no. I do not recall.

Q When I ask about any occasion, I mean not only contemporaneously at that time, but at any time subsequent up until today?

A No, but if I -- if I had had a conversation I would not be surprised. I do not remember at all. It would not be unusual.

MR. SILBER: What was the last date, up until what time? You said any Armitage discussions---

MR. SABA: I was going to clarify that.

I am interested in any conversations you had with Secretary Armitage after the 19th of November 1985, on the subject of these TOW missiles.

THE WITNESS: I don't recall any conversations we had. We may have had some. I just don't recall.

EXAMINATIN ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Has the Secretary discussed this with you?

A No.

Q Has Secretary Armitage in 1987?

A No. The only discussion that he and I have had on this whole matter was in -- was where we were asked by the general counsel to provide any records or any information we had.

Q Is this General Counsel Silber?

A Yes -- well -- or in the DOD.

EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q Mr. Garrett?

A Mr. Garrett. And we all agreed we would search and provide anything we had and we would be very cooperative with it.

MR. SILBER: With Secretary Armitage present?

THE WITNESS: Yes.

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Did you have any discussions concerning the inquiry about TOW missiles with anyone other than Mr. Rudd?

A No that I can remember. And I am sure I talked

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with Mr. Rudd about it, because I think he was involved in getting us some data, as I recall.

Q And I must ask the question -- Mr. Koch?

A No, I don't think I ever saw Mr. Koch on any of this. I don't recall that.

Q General Powell?

A No.

Q Mr. Taft?

A No.

Q Secretary Weinberger?

A No.

Q Do you recall if Mr. Rudd reported to you that he had in fact delivered a paper providing information about Tows to anyone?

A Well, I am going to say that, yes, I do remember generally about providing a paper on Tows.

Q To whom did he indicate they were to be provided?

A Here again, I would say that it is either Mr. Koch or Mr. Armitage.

Q Do you recall if the discussion about Tows involved Iran?

A No, I don't recall that.

Q Did it involve Israel?

A I suspect that it did. You know, it all puts together that that would be the natural thing -- not natural but that there would be a connection between the two in retrospect, but I don't recall specifically.

Q So it is your recollection now that you don't recall whether this inquiry about Tows and this discussion about Tows concerned Iran?

A No, I cannot say that it did.

Q General, let me ask you a broad question at this point. We know that contemporaneously, Dr. Gaffney had prepared a point paper on Iran and he had at least discussed this with you in terms of Hawks.

A Yes.

Q We know that a few days, or sometime later, Mr. Rudd is preparing information about Tows. Didn't it occur to you that something was going on involving Israel and perhaps Iran?

A Well, I am sure that it did. To say that my interest was not piqued would be wrong, because we are very concerned about transfer items and in view of our policies out there.

All I am saying to you is I cannot recall specifically, to answer your question as to whether it was or not. But yes, I am sure that I was very inquisitive to the extent that at least there had been a principal concern of mine, one is whether people were contemplating using the existing authorities for the transfer of articles or services under the Arms Export Control Act or the FAA. That I hold the responsibility to be sure that people do not violate the law.

MR. SILBER: Excuse me, did we establish that General Gast remembers that the Tow exercise was shortly after the Hawk thing? Was that your question?

MR. SABA: I will ask the question again if it remains unclear.

BY MR. SABA:

Q General Gast, do you recall the time span roughly between the discussion of the Hawk matter and the discussion with Mr. Rudd about the Tows?

A I would say that there was a space involved in there of time. I don't recall them being at the sam time. I recall that -- I am sure that the Tow followed the Hawk in time.

Q In general terms -- and it is important to us -- do you recall if that discussion was before or after Christmas?

A After, I would say. I would say it was probably after.

Q All right.

A But I don't know.

Q Do you recall if it was before or after the New Year?

A No, no. I would say after.

Q How about the Super Bowl period?

A No, no, that doesn't help me.

Q You left for a long trip to Greece and Tunisia and other places on January 14, 1986, returning the 17th of February?

A Right. Yes.

Q Do you recall if it could have occurred before or after that long trip?

A No, nor do I -- Would I even say that it did not occur while I was on that trip. I am just unable to be precise on this.

Q We know now, sir, today, that in 1985, specifically August and September, Israel transferred a large number of Tow missiles to iran and we know that in November of 1985 a number of Hawk missiles left Israel and found their way to Iran, and we know that these weapons were of United States origin and were transferred to Israel presumably pursuant to the agreement which is Exhibit 1.

MR. SILBER: Exhibit 1 is the LOA?

MR. SABA: Exhibit 1 is the LOA.

THE WITNESS: Oh.

BY MR. SABA:

Q To develop my question, we know that Tow missiles were delivered in September '85, we know that certain quanitities of Hawk missiles were delivered in November of 1985. That being the case, sir, what is being done about it in terms of a violation of the United States/Israeli agreement in respect of those weapons?

A Well, the first thing is you may know, I did not know that missiles had been transferred at that time period. That is your statement. I cannot verify that. I did not know in fact that -- I don't recall knowing that there were any missile transferred to Iran during that time period.

Making the assumption that your information is correct, I do not know whether the Administration has taken any action in that regard or not. If the State Department knows about it, I presume that -- I don't know what the State Department did about it. If the State Department knows there were transfers made under the provisions of the 1515, that is, to transfer them, then it is a matter of policy for them to wrestle with that, but I am not aware of that.

Q Sir, we do have, if nothing else, public testimony now from these hearings from Mr. McFarlane and Mr. Secord, and there is a fair amount of paper that has been generated which is publicly available, indicating that those weapons had moved.

My question is what is the United States Government response to this, and specifically, your office, which is in charge of transferring these weapons in the first instance.

A Look, the -- let me say -- let me give you two responses, one which is totally divorced from this case. If a similar incident like this occurred, I am sure that the Department of Defense and State would be consulting as to the reports required to Congress, one, and the action to be taken with the country. I have no question about that.

Given the circumstances here -- and I don't know whether what you are saying is hearsay or whether it in fact occurred, I just do not know. In fact, I am surprised to hear you say that people testified -- largely because I have been traveling somuch again this year. But I am going to have to assume that the Department of State, if in fact it transferred, will be wrestling with what action should be taken.

Q Am I correct, sir, that it would -- that no action would initiate in your office?

A Well, no sir, it is the State Department matter in deciding to, one, inform Congress htat hte law has been broken, or there is a requirement to go to Congress, and certainly it is a foreign policy matter as to whether they will go to the country or not and take whatever action they are going to take. They are the lead. They are delegated as the lead on these matters.

Q My second question though -- and this is not meant to be personal --

A   Surely.

Q   -- is that isn't it unusual that you would not have your own intelligence information quite apart from anything I tell you in these proceedings, as to those transfers now, a year and a half later?

A   Well, let me put it this way. If in fact -- I would think in most cases, due to the intelligence information provided, one would know about something like this, okay?

If, on the other hand, a party really worked hard to conceal it, conceal something, it is going to be harder to find out.

Now, I am not implying that there was a devious method here, or any of that, to transfer these, because I cannot even be sure that it was done. I can say on the other hand, though that as a result of the hearings that have been going on, and the testimony going on, there is so much of it that I find it very difficult for me to conclude what in fact occurred, and has not occurred, and I have not spent a lot of time trying to digest that information.

Q   If I were to tell you that much of the basis for the hearings and the testimony is intelligence information generated in certain cases by State, CIA, [redacted] and DIA, I am frankly surprised that you are not aware of the transfers that were made.

A   No, I am not. I am not aware of them. I don't recall being made aware of them, nor seeing anything that would lead me to believe that there were transfers.

Q I want to move to another area.

MR. SAXON: I take it you are through with the Tow paper?

MR. SABA: Yes.

MR. SAXON: I have one or two questions on that.

THE WITNESS: Yes.

BY MR. SAXON:

Q Do you recall any statement by Mr. Rudd that he was told by Secretary Armitage that he was not to keep a copy of the Tow paper and in fact was to turn any over to Mr. Armitage where they would be locked in his safe?

A I do not recall that statement.

Q Do you recall any statement by Mr. Rudd, or for that matter, by Dr. Gaffney, that they were told to destroy any drafts, final copies, working notes, et cetera, with regard to the Tow paper? Contemporaneously told that?

A No, I do not recall that, but I would not have been surprised if even I had said to them that all information has been provided, that people provided what they were asked for and there need not be any record for it because it would not be under our purview at all, and that would make clear to the people in our discussion that I even reinforced it, I am sure a couple of times, to people under Dr. Gaffney's point paper that there was no way that this should be transferred under the AECA.

Q I want to ask a question that I don't want to be misunderstood as either accusatory or as being one that is easy for us to ask as the investigative bodies with the benefit of hindsight, but with regard to the Hawks and probably with regard -- possibly with regard to the Tows in terms of Iran, but specifically the Hawks, you knew that Iran was being discussed there?

A Yes.

Q You more or less were walked through by Mr. Saba the point paper and essentially agreed with what Dr. Gaffney had laid out, which is that Iran was not certificated to receive these under the Arms Export Control Act.

Let me put it this way. There were at least possible questions which could be raised?

A Surely.

Q When you were made aware of these matters, at any point did you consult with Mr. Silber as the General Counsel of the DSAA, or with Mr. Garrett, the General Counsel of DOD, or anyone else?

A I do not recall that.

Q To raise a legal flag?

A No, I don't recall that. I remember -- I do remember it being very clear, I remember it being clear in my mind that people were adequately informed that it was not possible to do this under the AECA. Not legally possible.

Q Let's go off the record for a second.

(Discussion off the record.)

MR. KREUZER: Back on the record.

BY MR. KREUZER:

Q Sir, a few moments ago, Mr. Saba was discussing with you about the revelation of Tow and Hawk transfers from Israel to Iran and exploring whether or not you had your intelligence information and had found any violations, and I believe you responded that it would be something -- revelations that initiation of action would occur in the State Department?

A Yes.

Q Could you expand on that and tell us essentially who in the State Department would take cognizance of these illegal transfers and how would that work?

A The general situation is -- and I am going to not speak specifically to this, because I am not familiar with the details as I indicated -- but the general situation is, we all get this [redacted] information, okay?

A lot of speculation, unevaluated. One keeps that and you know, in one's mind as you read it through. If, as I on occasion would ask some of my people to check further into it, okay, and not infrequently, I will go to the DIA, who developed or provided thes materials to me.

Q Who in DIA?

A Mr. Al Berger, who is our liaison with DIA.

Q All right.

A I think he lives in other shops, but he happens to be the point of contact for us.

I would, one, say to him, you know, has this been provided to the policy people? And on occasion I will mention it to one of the policy people that I am concerned about a particular area that we have not been able to pursue further. Maybe once every six months we hear of it.

Q That would be a policy person in [redacted]

A In [redacted] yes. Each of the regions within ISA I think have a working relationship also with the bureaus in the State Department, who get a lot of information, the same kind of information. I think now, and I am not sure how long it has been quite that way, it is in the PM office of the State Department. I think they have a security organization in there which I am sure they get a lot of information from all the Services to include INR over there.

Q What is PM?

A Political Military Affairs.

Q INR?

A Intelligence Research, which is the intelligence arm of the State Department. They have quite an intelligence operation there. All of them feed into these people and you will see messages occasionally beginning out, check whether something has happened, and the Embassy will come back maybe every six months that happens. It graduates up to the State Department to evaluate all this information.

Do I give a written report? I do not. I just watch it and I bring it to the attention of others and I sort of have an informal arrangement where we watch all of this information.

Q But no such information came to you from the period '85 to the present concerning possible transfers to Israel?

A No.

Q Did you perhaps in that time period provide any similar information regarding suspicions about, say, transfers to, another illegal transfer to another country -- not Israel, but any other violations involving any other countries?

A Oh, I expect that I did. I think we expressed -- we have always been concerned about [redacted] -- and I am not sure that should be on the record -- in fact, I am not sure that I should be speculating about other countries which could be sensitive that are not related.

Q We don't have to get specific, but there were other countries?

A Oh yes, yes.

Q But not Israel?

A Yes, I do not recall Israel, yes.

MR. SAXON: Thank you.

BY MR. SABA:

Q Sir, focusing on the period mid-November 1985, through February '86, were you aware of discussions between Glenn Rudd of your office and anyone else concerning the Tow missiles?

A I think I have already indicated that I seem to recall Tow missiles were a factor during that time period and I don't remember specific dates or specific nature of the paper. I seem to recall that somehow or another he was asked, and I presume it was either Mr. Armitage or Mr. Koch, to develop some what we would call rough order of magnitude of pricing, and I am sure that if he did that, he had to go to the Army to get that information.

Q Do you recall who he would have gone to?

A No, I don't know, no.

Q Do you recall the name William Jackson?

A Yes. That is probably where he would have gone. It would not be unusual for him to have gone there.

Q Why do you think Mr. Jackson would be the logical one?

A Because he is his counterpart in the Army assistance business on the Army staff.

Q Would Mr. Jackson have access to pricing data?

A Yes, yes.

Q Do you recall Mr. Rudd determining specific prices for various types of weapons?

A I seem to recall that. I am not sure. I think I indicated earlier I think I had seen a paper, and if he was asked to do something he did a very thorough job of it.

Q Did he report to you as to his activities, what he was doing and for whom on Tow pricing?

A I think it was -- I am sure he did report to me. I have no idea that he reported to me. What he was doing and who had requested, and what he provided, I have no question that he reported that.

Q Did he mention meetings between himself and Noel Koch? November and January, concerning Tow missiles?

A I remember him talking to Mr. Armitage or Mr. Koch.

MR. SILBER: This is December '85 to January '86.

A But I don't recall the date.

Q Yes.

A I cannot confirm December, January, February, March or April.

Q Did he discuss the substance of those conversations with you?

A I am sure he did, yes.

Q Do the numbers 4,000 Tows and $12 million help you in any way?

A No, it doesn't ring a bell.

Q Sir, are you yourself familiar generally with the price of Tow missiles?

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A No, I am not.

Q Okay.

A I would be wrong if I had to take a quiz right now I am sure.

BY MR. SAXON:

Q Would you find reassurance in the fact that you are not the only one in the Pentagon, sir?

A Well, one of the reasons why we seldom ask that question of friends or allies, thinking of a procurement, is because the prices change. I never give an answer unless it comes from the guy that is going to sell them.

BY MR. SABA:

Q Do you have any recollection of information about Mr. Ledeen being involved in the -- this is Mr. Michael Ledeen, Ledeen, being involved in the pricing of Tows or Hawks?

A No, I don't. I have trouble remembering Mr. Ledeen. The name is familiar, but I can't put a face with the name.

Q Would it help if I suggested that at some point he was a consultant to Noel Koch, later a consultant at the NSC, and the State Department?

A I have heard the name but I don't know him. I can't recall his face.

Q Do you recall if a Mr. Ledeen ever made an inquiry

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of you as to Tow pricing?

A No, I don't hink he did.

Q Do you recall Mr. Rudd indicating that the Israeli purchasing office in New York was involved in this Tow pricing?

A I do not recall that.

Q Do you recall the name Abraham Ben Yussef?

A I know Mr. Yussef. I know him personally. We deal a lot --

MR. SILBER: Is that --

THE WITNESS: In a business association, in regard to security assistance, but I don't remember his name coming up in the context of Tows.

BY MR. SABA:

Q I see. Do you recall having any information or knowledge of a meeting between Mr. Ben Yussef and Mr. Koch?

A No.

Q In December or January in the period we are concerned with concerning Tows?

A No.

Q If Mr. Ben Yussef wanted to know the price of Tow missiles, how would he have found out? What would be the normal procedure?

A Well, assuming that they had not procured any, you know in recent history, and had an idea of themselves, the only way that he could really go about that would be to go to the U.S. Army.

Q Did he do that directly?

A Well, they normally would not provide it unless they had an authority to provide it. They would normally come through us, if one is talking about prospective arms transfer sales. The way this comes through is through us to even decide whether we will respond to them from a policy point of view. Many times we do not because we are not authorized to sell it as a matter of policy.

Q If the Israelis wished to acquire a certain number of a particular kind of Tow missile, who would be authorized to negotiate -- if that is the correct word, correct me if I am wrong -- or quote a price to them?

A The way that a system normally works -- I mean, the system is that a country will, through our embassy there, through our security assistance organization, to them, will indicate that they have an interest in a sale, and they want some data -- pricing, rough order of magnitude, whatever.

And we, in conjunction with the State Department, decide whether we will even provide the data or not, whether they are cleared to receive it, whether it has technology problems, or many other reasons why we might not wish to proceed to provide it.

Assuming we decide to, we will turn to the f8

procuring Service that has it in their inventory and they will provide the information.

Q In the case of Tows it would be the Army?

A Yes.

Q And correct me if I am wrong, you being DSAA, would turn to the Army and ask the Army to quote the specific price for a specification of a specific Tow missile?

A Yes.

Q And who would provide that price to the Israelis then?

A It could very well be the Army if it was approved in principal and there is not question that it might be rejected somehow or another, we would just task the Army to provide the information directly to them, and information to ourselves and the State Department, and to keep them informed that pricing information had been provided.

Q Would it have been the normal course of business for Mr. Koch to have been involved in that pricing?

A Normal? No, no.

Q Would it have been the normal course of business for Mr. Koch to have quoted or negotiated a price with the Israelis for Tow missiles?

A We are setting aside the instance concern or the case or the revelations?

Q I am asking the question in general.

A In general. No he would not normally be involved.

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Q Do you know of any circumstances in which --

A He might be aware of it, but he would not be involved in it.

Q Do you know of any circumstances during the period you have been in charge of DSAA in which Mr. Koch has been authorized to quote or negotiate prices on weapons for Israel?

A No, I do not.

Q Turning to the matters which we are immediately concerned, did you have any information that Mr. Koch was authorized to negotiate a price for Tow missiles with Israel in December '85, January '86?

A No. No.

Q If Mr. Koch were to have negotiated a price, to whome would that pricing be provided in the United States Government?

A I presume that your line of questioning or your interest is if it is going to be sold on the 1513?

Q Yes.

A On the 1513?

Q Assume that.

A No one has authority to negotiate a price for that. I mean, it costs so much and we recover the costs. There are pricing boards that meet to determine the price of something that is sold or about to become excess, because the law says how you will charge. But if it is an item from

2'

procurement or replacement item, there is a cost and that is it.

Q Second question. If the transfer is intended to be an Economy Act transfer to another agency would Mr. Koch be able to negotiate a price on that?

A I don't know about that system.

Q It is correct that that would not be a matter of your knowledge or authority?

A No, it is not within my area of responsibility.

Q In the period I am concerned with -- November 19, 1985 through February 1986 -- in this case, do you recall yourself receiving any inquiry from Colonel North concerning Hawks and Tows?

A No, absolutely not.

Q From Admiral Poindexter?

A No.

Q From Mr. McFarlane?

A No.

Q From anyone at the staff of the NSC?

A No.

Q Do you recall any of your staff being -- Mr. Gaffney, yourself, or Mr. Rudd, or anyone else with whom you have dealings in the normal course?

A I do not recall.

Q Of reporting such inquiries?

2'

A No.

Q No.

A Specifically, did Mr. Rudd ever indicate that this Tow pricing information might be provided to the NSC?

A I do not recall that.

Q Do you recall if he indicated it was being developed at the request of someone from the NSC?

A No. I do not recall that.

MR. SABA: Do you have any other questions?

MR. SAXON: Yes. I want to go a little more in particular into what Mr. Rudd may have conveyed to you from his discussions with Mr. Koch.

THE WITNESS: Yes.

BY MR. SAXON:

Q Mr. Saba has already asked you one question -- did you recall the numbers 4,000 Tows for $12 million. You said you did not.

Do you recall Mr. Rudd saying that the inquiry put to him by Mr. Koch involved a price of $3,000 per Tow?

A No, I cannot remember any specific numbers. I think I recall seeing a piece of paper and I couldn't even describe it, that had prices and numbers on it. It was a typewritten piece of paper as I recall.

Q Do you recall Mr. Rudd telling you that he searched the data and reported back to Mr. Koch that the cheapest

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we had ever sold a basic Tow missile was $6800 and that was to Israel some years ago. Any portion of that that you recall?

A There is a faint memory of a range there but I cannot recall specifically enough to answer your question.

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MR. SABA: Back on the record.

BY MR. SABA:

Q In regards to your conversation with Mr. Rudd on Tow missiles, what was your concern about the information being developed?

A Well, my concern was that it was being asked for out of channels. It was an un -- rather unroutine thing going on, and that the information was going to be used in some way that would violate the law and our relationship, and whatever under the Arms Export Control Act.

Q This was your state of mind?

A Yes.

Q At that time?

A Yes.

Q Did you express that to Mr. Rudd?

A Well, we both were concerned about it as I recall. He, Dr. Gaffney and I, were all very concerned as to what was going on.

Q Did you express that concern to anyone else apart from Dr. Gaffney?

A I think it was in a conversation -- this may be different from what I said earlier -- I believe I was in a conversation with Mr. Armitage once where this came up.

Q Do you recall when?

A No, I don't. I don't know. I don't remember whether it was a Hawk or whether it was a Tow, but I remember

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saying very clearly -- this may have been Mr. Rudd who had a conversation with Mr. Armitage -- but the position of Armitage comes to my recollection to where we wanted to make it between us or somehow or other had it been made abundantly clear that if a transfer was going to occur that it was not possible, legally possible, or policy-wise, to do it under the Arms Export Control Act.

I remember that impression being made very clearly. Whether I made it to Mr. Armitage or whether Mr. Rudd did -- I would be surprised if I made it to Mr. Armitage. I don't recall having a discussion about that with him. I just simply don't remember.

BY MR. SAXON:

Q Your distinct impression is that --

A It was made clear.

Q You or Mr. Rudd made that position clear to Mr. Armitage?

A That is right.

Q Let me go back to one or two final questions on anything Mr. Rudd may have told you about his discussion with Noel Koch. Do you recall him telling you that as he looked at the numbers of missiles requested -- 4,000 basic Tows and the pricing data he had -- that the total package would come not to some $12 million that Koch mentioned, but more like $25 or $30 million? Do recall those kinds of figures?

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A No, I do not.

Q Do you recall any discussion --

A But not that you mentioned it, I seem to recall that there was some discussion as to what the price ought to be for the things, and Mr. Rudd would be very thorough in that.

Q Do you recall any discussion in which Mr. Rudd said he had informed Mr. Koch essentially that you want that number of missiles, it is going to cost more than $14 million, $14 million being the threshold for congressional notification?

A Yes. No, I don't remember that.

Q You don't recall that. You don't recall any discussion which Mr. Rudd told Mr. Koch that if you want this number of basic Tow missiles -- 4,000 -- if Congress is notified the knowledgeable people on the Hill are going to realize that Israel is no longer buying basic Tows?

A No.

Q They are buying Tows II or I-Tows and therefore, this transaction would be tranparent and the Congress would immediately know that Israel will transfer them elsewhere?

A I don't recall that.

Q Finally, do you recall any discussion in which Mr. Rudd may have relayed to you that he informed Mr. Koch that if the United States Government wanted to transfer these arms to Israel, or specifically for Iran, that the way to do it would be to go black -- that is, to make it a covert transfer to the CIA and let the CIA --

A I remember talking with Glenn Rudd about that and my saying so.

Q What do you recall about that, sir?

A I remember a conversation and I believe it was between Mr. Rudd and I and it might have been even possible with Mr. Armitage, I am not sure, but I remember being satisfied that Mr. Armitage, if not Koch, understood clearly that, in my view, that if anyone were going to transfer arms or equipment of this nature, of this size, that it could not be done through the Arms Export Control Act.

If someone wished to pursue it, it would have to be through some other channel. I probably used the word black in the sense that there are other laws and provisions that have to do with equipment other than the Arms Control Act.

Q Do you recall yourself saying that to Mr. Armitage?

A I expect that I did. I can't recall precisely, but I remember being satisfied that he understood our position that this was not, should not be pursued under this law.

Q Just to make sure that our two committees understand and I can sort of summarize, while you can't precisely date these discussions and there are lots of particulars you don't recall, it is very clear that if there had been an opinion put forward by DSAA, institutionally or you as its Director, that there was an opinion communicated either by you or by Mr. Rudd to Mr. Armitage, that these transfers could not be made under the Arms Export Control Act, that if the government wanted to do it, the way to do it was through black channels, is that correct?

A That is correct.

I did not say that that was the way to do it, I said it could not be done through this way, it could be possibly done through the black channels because I don't know those regulations or the procedures within them. I have a general knowledge that through congressional oversight and other programs there are items transferred to a country under another provision of the law. But I did not know that law, have not read it, I don't know how it works.

I know that there is a Presidential finding involved and that is all I know.

Q Did you ever have occasion to ask Mr. Armitage subsequently sort of a -- oh, by the way, did anything ever happen on that? Did we ever ship them? Did it ever go forward?

A No, I don't recall asking about that. I presumed that it didn't, but I did not -- I don't recall asking about that.

BY MR. SABA:

Q Do you recall having any information about a Presidential finding in 1986?

28 5

A No. No. Not until the revelations came about. I have heard that testimony. I have read about it in the newspapers.

Q Did you have any conversations with Secretary Armitage since November 1, 1986 about these matters?

MR. SILBER: 1986 he says.

THE WITNESS: The only conversation was where it was agreed that -- in fact we were all encouraged to search the files to provide information, and I believe that I mentioned to him that this paper here had surfaced, and that we were provided with it and we would provide any information we had. That is the only context I remember.

MR. SILBER: This paper is the exhibit --

MR. KREUZER: Exhibit 3.

MR. SAXON: You are referring to Exhibit 3 -- the Gaffney point paper on Hawks?

THE WITNESS: Yes. I remember mentioning it, and when the chaps brought it up, I said turn it over, and the only thing we found in our files was this.

BY MR. SABA:

Q Did he discuss any other papers?

A No, he did not.

Q Did you have any other conversation with Secretary Armitage in connection with either the interview you had earlier with Mr. Saxon or on this deposition?

A No. Nor with Mr. Rudd, nor Dr. Gaffney as a matter of fact.

Q Those were my next two questions.

[redacted]

Pages 84 to 87

DENIED IN

TOTAL

[redacted]

BY MR. SABA:

Q Turning to another topic, sir, in general I take it that military security assistance is generally provided for a variety of policy reasons. Could you tell us very briefly why the United States would provide to any particular country security assistance?

A It is all written into the law. This country has -- I mean, the basis for making the decision is written into law. It is very specific as to why one would sell. The interpretation of that and application of it is another matter for policy people to deal with.

Q Would you say it is generally to further the United States interests, United States security interests?

A Two areas: One, the foreign policy interest. It should be of direct interest to the United States. And then for also a defense strategy, foreign policy, and defense.

Q Would it be accurate to state that in various circumstances security assistance is often provided as an overall trade-off, which is to say that there are expectations that a nation might assist us in some related way in return for security assistance?

A Well, I don't know what you are driving at. One of the foreign policy goals throughout all administrations is to have the close relationship with friends who think like we do and security assistance has always been reviewed as a way to prove our foreign policy, and our own defense strategy for people to be able to defend themselves so we don't have of, or join in a coalition if we have to fight, and we do that largely by deterrence.

If your question is, is there a quid expected or some sort of quid pro quo --

Q Yes, that is the question.

A The quid is that people will -- I can't answer that there is a quid expected. That would be something that I don't think you can very well improve your foreign policy when you ask for a quid, when you provide security assistance. You expect that there will be a closening of relationships throughout the years as a result of that, military to military relationship, foreign policy relationship, and overall enhanced position of the United States and what our interests are. I do not have a -- a direct quid, I don't know.

Q I will get more specific. Focusing on Guatemala.

A Oh, okay.

Q The year is 1985. Do you recall the commencement of military assistance programs to Guatemala?

A In '85?

Q Yes sir.

A No, I don't recall commencement in '85.

Q What do you recall?

A Was it in '85 or not?

MR. SILBER: It was a small item in the procurement.

THE WITNESS: I remember debating on the Hill that we should get on with Guatemala and trying to convince some of my colleagues, or members of the staff, and the Congressmen that I felt that our policy towards Guatemala was not as effective as it might otherwise be, because they were taking a position that they had to improve in performance, according to what the Congress expected of them, before they received any military assistance.

My position or argument was that we had an armed forces who wanted to get on with the business of ruling and governing and the way we could encourage them to do that was to form military relationships. But I don't remember a particular event in regard to that.

Q Do you recall any suggestions from anyone on the NSC staff that we might be favorably disposed to military assistance to Guatemala specifically, perhaps at a training program?

A No, I don't recall that specifically. I know that we worked with ISA, the American region in ISA, to try to develop a program , try to convince Congress that we should proceed, thatwe wanted to get into training and have a military relationship. I remember but I don't recall just when we requested the first sale.

Q Do you recall any coordination with Mr. McFarlane on the issue of military assistance to Guatemala?

A No.

Q Do you recall any inquiries about military assistance to Guatemala from Mr. McFarlane?

A No, I don't. I didn't say there wasn't, but I

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can't recall any.

Q From Colonel North?

A No, I don't think so, no.

Q Do you recall any discussion from whatever source?

A I met with Mr. North occasionally, or two when we were working on a package, to try to get through Congress, but it was on a counter-terrorism bill we wanted to get through. By the way, we were not successful in getting it through the Senate, because the House didn't buy on to it.

Q Did it have anything to do with --

A I know we wanted it for El Salvador, Honduras, Costa Rica, Panama, and I believe Guatemala -- no, I remember Congress rejected Guatemala early on, so it got pared down to the four, but this was specifically a program in '84-85 time period when we were very concerned about the terrorism that was creeping in down there.

[redacted]

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[redacted]

Q What is your current recollection of our aid program to Guatemala?

A Well, we worked hard to convince the Congress and to justify to them that we needed to begin to have this military relationship. We were very concerned about their medical capabilities, helicopters couldn't run, they were unsafe, poor transportation on the ground.

I think the final, as I understand, as I recall, the final agreement was we would provide assistance but it had to be in non-lethal aid. I think that is the case.

Q Did anyone ever suggest to you that one of the reasons -- not necessarily the prime reason -- we would be abiding assistance to Guatemala was for or in connection with their provision of assistance in connection with a resupply effort to the forces opposed to the Government of Nicaragua?

A None whatsoever.

Q I would like to move to Honduras for a moment, unless someone has a Guatemalan question.

Moving to Honduras, my question is really along the same lines, but I am particularly interested in the provision of F-5 aircraft.

For the record I would like to introduce a document which will be Exhibit 4 and I will show it to you and give you a bit of time to read it through.

(Exhibit No. 4 was marked for identification.)

I should state for the record that this document wsa an attachment to a memorandum for John Poindexter written by Oliver North on March 24, 1986, the subject of which was a Presidential determination to authorize the furnishing of immediate military assistance to Honduras.

The exhibit is a document generated from your agency by Mr. Royer, Colonel and Chief of the Latin American Division of Defense Security Assistance Agency. It is dated 24 March, 1986.

MR. SABA: I just want to note for the record that the second page of the exhibit indicates a distribution to the Director, DSAA, Lt. General Gast, ASD, ISA Mr. Armitage, and DASD, ISA/IA, Mr. Sanchez.

I believe, sir, the memo speaks for itself, but I would ask you if you are familiar with it, and do you recall it?

THE WITNESS: Yes, I do.

BY MR. SABA:

Q And do you recall the meeting between President of

Honduras and Assistant Secretary of State Abrams and the circumstances preceding the writing of this memo?

A Very vaguely. But I do recall. I do recall when he went down there, yes.

Q Directing --

A Was Colonel Royer with him on that trip? He may have been but I am not sure about that.

Q All right.

Directing your attention to the bottom of the page, the bottom of the first page, the last paragraph on that page reads [redacted]

Can you provide us some information about that paragraph and the circumstances involved?

A Let me go back to the first paragraph and read this.

There had been prior to this period a request from the Hondurans for a replacement for them on the Super Mystere. We had been working that a long time. There was the issue on their part and ours as to how long we could keep the Super Mysteres going and when we were going to have to finally replace them.

Prior to this action, this meeting, or this MFR that he records here, there had been a long dialogue between me and the Hondurans, the Air Force, and the chief of staff, back and forth, as to what efforts we could go to to manage to find the spare parts and to repair the Super Mysters to keep them going. There was a parallel action working to try to find a replacement aircraft, because to be sure there was only a period that we could keep these airplanes going. It was rather amazing that they were still flying at all in my mind.

So that there had been discussions about a replacement fighter airplane before this meeting with the Hondurans where they continually requested -- I am sure it was before this -- this is just a year ago, and we had been going through discussions very much so with the State Department, ourselves and the Air Force, in trying to find an airplane that was affordable, that seemed plausible considering the threat, and the balance within the region, to find an airplane.

So at this stage, March, would not have been by any means the first time we would have talked about this fighter. This thing was an old case. We had worked on it very long. To be sure subsequent to this date but not attached to this date or this visit, in my view -- I have no recollection about our continuing to work the problem, we finally came to the conclusion we could keep the Super Mysteres going two or three more years but we had to find a replacement airplane, and the DFIV seemed to be the only logical replacement for it.

[redacted]

Q But you recall that it was certainly a factor which the Hondurans raised --

A I don't recall that, no. No, I don't recall that being a connection at all. I think we were concerned that -- we and the Administration were concerned that if we were unable to meet a legitimate requirement that they would see it as a terribly negative signal and so testified before Congress.

Q Who testified before Congress?

A As we had to during the hearings in order to justify the sale.

Q We is yourself?

A We and several other people in the hearings that had just been completed on the F-5E sales. There have been hearings recently on this sale.

(Witness confers with his attorney)

MR. SABA: Back on the record.

BY MR. SABA:

A Clarification on the comment on the concern that the Administration had and what was going on in Nicaragua -- I am speaking of the threat that was being developed, supported by the Soviets and the Cubans in that regard, in the general sense.

Q Did Secretary Abrams or anyone from his staff communicate to you or anyone on your staff, to your knowledge, any concern about the Honduran view or atttitude towards the contras during this period?

A No. Well, I don't recall that specifically as being a motivating factor in anything that we were involved in. Sure, there was concern about the contras throughout the whole period. You know, one would read about it and hear about it, and you know, the issue was before Congress and the dialogue.

[redacted]

Q But I take it we were resisting requests from the Nicaraguans at this time --

MR. SILBER: Not Nicaraguans.

MR. SABA: Sorry, from the Hondurans even at that time for F-5Es and at this time being March 24, 1986, there had been a Nicaraguan incursion into Honduras.

THE WITNESS: I don't recall. Somewhere about March or ahead of time, or after that, which I saw as unrleated to the contras, there was a final decision to support the F-5E, or to offer it anyway.

BY MR. SABA:

Q When would you date that, sir?

A I don't remember, I don't recall.

Q But focusing on --

A May I see my list a moment?

MR. SABA: For the record, the witness is looking at Exhibit 2, which is the calendar of travel.

THE WITNESS: No, just looking at this, I recall going to Honduras to, along with the Israelis, to make the presentation on the Kafir or the --

MR. SILBER: Last November was it not?

THE WITNESS: No, it was July, I think.

MR. SILBER: Was it?

THE WITNESS: July of -- 7 to 11 July.

BY MR. SABA:

Q Of what year?

A Of '86.

Q Pardon?

A 1986.

Q That trip was in connection with --

A With the F-5. By way of background, though, we had decided that we could make some airplanes available beginning in '88 or '89 -- I have forgotten just when -- there was another equation that came up where the Israelis showed an interest and they and the Hondurans had had discussions about them buying one of their fighter airplanes, and it was in July that we went down to make the presentation on the U.S. offer and the Israelies made a presentation on their offer.

Q I take it that even in March of '86 there seemed -- let's go off the record a moment.

(Discussion off the record.)

BY MR. SABA:

Q I take it that even in March of '86, even in view of the Nicaraguan incursion into Honduras, that there was a reluctance on our part to provide the F-5?

A The reluctance --

Q And I point specifically to this paragraph.

A The State Department had always wanted to provide the F-5 earlier than we thought we could do it. I mean, it was an issue within the Administration, and the only issue within the Administration was when and where could we find the sources of the airplane. That had been ongoing for at least six months or a year prior to this date, as I recall.

Q Would you say that the drive of the State Department was --

A The State Department felt that the Super Mysteres might or might not be supportable for long periods of time. They were very much aware that the Hondurans, knowing, that wanted to have a replacement airplane, and they were supporting it on foreign policy and defense reasons in an earlier period when we were having difficulty coming up with deliver, it having major impacts on our program.

We finally worked it out. I went to the Air Force and we came up with work-arounds in order to have a lessening impact on other foreign training by providing these airplanes.

Q Did Secretary Abrams express to you at any time his desire that we move forward rapidly on the F-5?

A He and I had several meetings on it. I had at least one meeting probably in -- I don't know when it was. It would have been in March or April where my concern was, and I want to be sure that I -- it was sometime in spring we had a conversation and my concern was whether in fact the pricing that we would have to charge on these, if we went down and briefed them on this, as to whether they could find it affordable or not and we had to charge so much money for 12 airplanes -- $70 million -- and support and training, and my concern was as to whether they could accept this and I wanted to get his advice, diplomatically, and other State Department members were in the meeting on how to do this presentation. That was probably in February or March.

Then the Israelis made the offer and that slowed the whole process down.

Q Okay.

A It wasn't until July we went down to make the presentation.

[redacted] I think we were all concerned that the Hondurans were becoming quite nervous in their position down there, you know, given the buildup in

Nicaragua, and the things happening in Congress -- up and down votes -- and there was no doubt about it in our minds that the Hondurans really wanted to have some sort of a reaffirmation that we were with them and that played an important role. When somebody says you need an airplane and you agree, but you refuse to sell it, he is going to take it as a pretty negative signal.

Q Did you yourself have any discussions with the Hondurans that touched on the contras?

A Never.

Q Sorry?

A Never, no.

Q I do have just a couple other questions, but not related to Honduras.

MR. SAXON: I have one or two broader security assistance questions along the lines of the quid for --

THE WITNESS: Could I take a short break and stretch a little?

MR. SABA: Off the record.

(Off the record discussion)

MR. SABA: Back on the record.

John has some questions.

BY MR. SAXON:

Q General, I just want to take the questions that Mr. Abrams has put to you about Honduras and broaden them and ask you in more generic terms. I think I know your answer, I believe you answered it, but just for the record, are you aware of any instances in which, since you have been Director of DSAA, that the United States has expressly sought to link or make contingent our security assistance to another country to link that to or provide it as a reward for that country's aiding the contras, particularly during the period covered by the Boland Amendment, particular Boland II, when all U.S. Government funds for the contras were cut off?

A No.

Q Are you aware of any effort by an recipient country or a would be recipient country of security assistance to use their support of the contras, particularly when we could not aid the contras ourselves, as leverage to extract from us security assistance?

A No.

Q And I use "expressly" or "directly" because we do understand that we don't just give assistance devoid of the whole context, so it may be that in the big picture things can be related.

A Sure, but no, none whatsoever.

Q Let me than go to one specific beyond this, and a sk you whether you ever gave any guidance to American men in uniform in Central America who most likely would have been part of the military groups -- they could have been from the

Defense Attache, they could have been in the Embassy -- in Central America, to tell them along these lines not to do anything with the contras in terms of the administration of our security assistance programs?

A May -- yes, but my concern was not that I had any reason to believe that anything was going on, but simply because there had been interest expressed by Congress in normal testimony, routine testimony -- I will put it that way -- in defense of the President's request or to justify it, of que-tions as to whether any of the aid provided under the two Acts could be or were being used to support the contras or anyone else.

And the response to that, and as a matter of casual conversation whenever I saw people, to apprise them of congressional concerns and mine, too, in that we not even have the appearance that something like that was going on.

Q Particularly in terms [redacted]

A Yes.

Q When Mr. Kruezer and I interviewed you on May 7 I do recall talking to our military group commander and saying I want to be sure that none of what we are providing in [redacted] [redacted] makes it across the border. Is that moreorless a correct statement?

A Yes, that is reasonably accurate. That is the intent of my statement in any event.

Q Do you recall making that statement to Jim Steele?

A Among others, yes.

Q To your knowledge, did Colonel Steele in any way violate that guidance?

A No, not to my knowledge.

Q Or abuse it?

A In fact, he assured me that the best he understood it was not being done. It was not an idle question or comment.

Q I believe I have no further questions.

MR. SABA: I have just one left.

BY MR. SABA:

Q General, in your various discussions with Glenn Rudd, Mr. Gaffney, Secretary Armitage concerning Tows, Hawks, do you recall any one of those men ever mentioning to you the fact that these matters have been brought to the attention of the Secretary?

A No.

Q Or that the facts that were being gathered would be provided to the Secretary?

A No. I did not ask. I must say though, that I think I was aware or subsequently at least, aware that General Powell had received information. I presume that he was not acting as a free agent. But no.

Q Did anyone inform you that Mr. Koch had met with the Secretary on these matters?

A No, no, I was not.

Q In 1986, after January 18 were there any inquiries made by any of these gentlemen or anyone else concerning transfers?

A I don't remember the precise date of January 18, so I can't respond to the preciseness of a particular date. I do recall that I can say that after the two periods, both the Hawk and the Tow that once the information had been provided and we made the statement that it could not be done, whatever was being contemplated under the AECA, that that subject never bame up again.

I don't recall discussing it with anyone. I don't recall any following up or nothing of that nature.

MR. SABA: Thank you.

THE WITNESS: I presumed nothing had happened, because it didn't go through our system.

BY MR. SAXON:

Q I do have one follow-up.

In the time frame we have been looking at of November '85 to mid-January '86, do you recall Mr. Armitage, Noel Koch, Dr. Gaffney, Mr. Rudd, anyone else for that matter, ever telling you that Secretary Weingerger shared your concern about the fact that these transfers could not be legally made under the Arms Export Control Act?

A No, I don't. I think I have heard that, but that is all been subsequent to the revelations, but that is all been subsequent to the revelations, but I cna't remember himself saying that. I expect that he agreed. He is a pretty wise man. But I do not know of it.

MR. SAXON: That is all.

MR. SABA: I have nothing further, sir.

MR. KREUZER: Sir, I am working in Tel Aviv. I want to buy some weapons. I can write a letter to DSAA? That would get me into the system?

THE WITNESS: Normally the way it is done, there are two ways that sales are made when it is commercially, direct commercial, and the other is through the normal military sales system. If it is to go through -- it normally comes out of their New York procurement office -- Mr. Ben Yousef's office. He ahppens to be head of the procurement agency up there.

MR. KRUEZER: He would go to whom?

THE WITNESS: To us.

BY MR. KRUEZER:

Q Could Mr. Ben Yussef or General Mosah Morone, could he go to the Army Materiel Command?

A Well, according to the rules, he could not.

Q Would there be anybody at the Army Materiel Command with whom he could speak to do preliminary checking on pricing, purchasing of weapons?

A They would not be authorized to provide any data, you know, that would indicate that we were willing to sell. They just do not have that policy authority at all to do that.

I am not saying that someone couldn't go to the Army Materiel Command and others and say look, we are considering buying what about the price, and in an informal conversation someone might say this is what it is, because prices are generally known, even if you are not an authority on prices.

Q So if it were informal, it would be okay?

A No, it isn't okay.

Q Maybe it happens?

A I don't think it happens, but I can assure you that no formal information, nothing by record, is authorized to be given to anyone on pricing data without approval by the State Department and our office. I can assure you of that.

MR. KREUZER: Thank you.

MR. GENZMAN: My questions have been asked. I have nothing. Thank you.

MR. SABA: We made it by noon.

THE WITNESS: Very good.

MR. SAXON: Let me say for the record, on behalf of the Senate, at least, we appreciate your being with us today.

THE WITNESS: I hope I have been helpful to you.

MR. SAXON: You have been helpful and very candid and we thank you for giving us this much of your time.

MR. SABA: And the House Committee similarly appreciates your efforts.

(Whereupon, at 11:59 a.m., the deposition of General Gast was adjourned.)

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UNITED STATES DEPARTMENT OF DEFENSE OFFER AND ACCEPTANCE	(1) PURCHASER (Name and Address) (Zip Code)
(2) PURCHASER'S REFERENCE — (3) CASE IDENTIFIER	

OFFER

Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to sell to the above purchaser the defense articles and defense services listed below (hereinafter referred to collectively as "items" and individually as "defense articles" or "defense services") subject to the terms contained herein and conditions set forth in Annex A, and to such other special terms and conditions which may be a part of and appended to, the Offer and Acceptance.

(4) ____________ Signature (US Dept./Agency Authorized Representative)

(5) ____________ Typed Name and Title

(6) ADDRESS ____________

(7) DATE ____________

(8) THIS OFFER EXPIRES

(9) ____________ Countersignature (Office of the Comptroller, DSAA) (Date)

(10) ____________ Typed Name and Title

(11) DSAA ACCOUNTING ACTIVITY ____________

NOTE: This offer must be accepted not later than the date shown in block 8. Within five (5) days of its acceptance, you must notify the Office of the Comptroller, DSAA. Otherwise, this Offer is cancelled and retention of initial deposit by offeror pending disposition instructions shall not be deemed a waiver of such cancellation. Request prompt notification if this offer is rejected.

ITEM OR REF NO (12)	ITEM DESCRIPTION (Including Stock Number if applicable) (13)	QUANTITY (14)	UNIT OF ISSUE (15)	ESTIMATED		SOURCE OF SUPPLY AND REMARKS (18)	OFFER RELEASE CODE (19)	DELIVERY TERM CODE (20)
				UNIT COST (16)	TOTAL COST (17)			

(21) ESTIMATED COST	$
(22) ESTIMATED PACKING, CRATING, AND HANDLING COST	$
(23) ESTIMATED GENERAL ADMINISTRATIVE COSTS	$
(24) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT	$
(25) OTHER ESTIMATED COSTS (Specify)	$
(26) ESTIMATED TOTAL COSTS	$

(27) TERMS

(28) AMOUNT OF INITIAL DEPOSIT – $

ACCEPTANCE

(29) I am a duly authorized representative of the Government of ____________ and upon behalf of said Government, accept this offer under the terms and conditions contained herein (30) this ________ day of ____________ 19 ____

(31) ____________ SIGNATURE

(32) ____________ TYPED NAME AND TITLE

(33) MARK FOR CODE ____________

(34) FREIGHT FORWARDER CODE ____________

(35) PROCURING AGENCY ____________

(36) DESIGNATED PAYING OFFICE

(37) ADDRESS OF DESIGNATED PAYING OFFICE

DD FORM 1 MAR 79 1513 — PREVIOUS EDITIONS MAY BE USED UNTIL EXHAUSTED — PAGE 1 of PAGES

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DEPOSITION EXHIBIT
PCG #1
6-18-87

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GENERAL CONDITIONS

Annex A

A. THE GOVERNMENT OF THE UNITED STATES:

1. Agrees to furnish such items from its Department of Defense (hereinafter referred to as "DOD") stocks and resources, or to procure them under terms and conditions consistent with DOD regulations and procedures. When procuring for the Purchaser, the DOD shall, in general, employ the same contract clauses, the same contract administration, and the same inspection procedures as would be used in procuring for itself except as otherwise requested by the Purchaser and as agreed to by the DOD. Unless the purchaser has requested that a sole source contractor be designated, and this Letter of Offer and Acceptance reflects acceptance of such designation by the DOD, the Purchaser understands that selection of the contractor source to fill this requirement is solely the responsibility of the Government of the United States (hereinafter referred to as "USG"). Further, the Purchaser agrees that the United States DoD is solely responsible for negotiating the terms and conditions of all contracts necessary to fulfill the requirements in the Letter of Offer.

2. Advises that when the DOD procures for itself, its contracts include warranty clauses only on an exceptional basis. However, the USG shall, with respect to items being procured, and upon timely notice, attempt to the extent possible to obtain any particular or special contract provisions and warranties desired by the Purchaser. The USG further agrees to exercise, upon the Purchaser's request, any rights (including those arising under any warranties) the USG may have under any contract connected with the procurement of any items. Any additional cost resulting from obtaining special contract provisions or warranties, or the exercise of rights under such provisions or warranties, or any other rights that the USG may have under any contract connected with the procurement of items, shall be charged to the Purchaser.

3.a. Shall, unless the condition is otherwise specified herein (e.g., "As is"), repair or replace at no extra cost defense articles supplied from DOD stocks which are damaged or found to be defective in respect of material or workmanship, when it is established that these deficiencies existed prior to passage of title, or found to be defective in design to such a degree that the items cannot be used at all for the purpose for which they were designed. Qualified representatives of the USG and of the Purchaser, upon notification pursuant to paragraph B.6. below, shall agree on the liability of the USG hereunder and the corrective steps to be taken.

b. With respect to items being procured for sale to the Purchaser, the USG agrees to exercise warranties on behalf of the Purchaser pursuant to A.2. above to assure, to the extent provided by the warranty, replacement or correction of such items found to be defective.

c. In addition, the USG warrants the title of all items sold to the Purchaser hereunder. The USG, however, makes no warranties other than those specifically set forth herein. In particular the USG disclaims any liability resulting from patent infringement occasioned by the use or manufacture by or for Purchaser outside the United States of items supplied hereunder.

4. Agrees to deliver and pass title to the items to the Purchaser at the initial point of shipment unless otherwise specified in this Offer and Acceptance. With respect to defense articles procured for sale to the Purchaser, this will normally be at the manufacturers' loading facilities; with respect to defense articles furnished from stocks, this will normally be at the U.S. depot. Articles will be packed, crated or otherwise prepared for shipment prior to the time title passes. If "Point of Delivery" is specified otherwise than the initial point of shipment, the supplying Military Department or Defense Agency will arrange movement of the items to the authorized delivery point as reimbursable service but will pass title at the initial point of shipment; the USG disclaims any liability for damage or loss to the items incurred after passage of title irrespective of whether transportation is by common carrier or by the U.S. Defense Transportation System.

5. Advises that: a. Unless otherwise specified, USG standard items will be furnished without regard to make or model.

b. The price of items to be procured shall be at their total cost to the USG. Unless otherwise specified, the cost estimates of items to be procured, availability determination, payment schedule, and delivery projections quoted are estimates based on current available data. The USG will use its best efforts to advise the Purchaser or its authorized representatives by DD Form 1513-2:

(1) of any identifiable cost increase that might result in an increase in the "Estimated Total Costs" in excess of 10 percent,

(2) of any changes in the payment schedule(s), and

(3) of any delays which might significantly affect the estimated delivery dates;

but its failure to so advise of the above shall not affect the Purchaser's obligation under paragraphs B.1. and B.3. below.

c. The USG will, however, use its best efforts to deliver items or render services for the amount and at the times quoted.

6. Under unusual and compelling circumstances when the national interest of the United States so requires, the USG reserves the right to cancel or suspend all or part of this Offer and Acceptance at any time prior to the delivery of defense articles or performance of services (including training). The USG shall be responsible for all termination costs of its suppliers resulting from cancellations or suspensions under this paragraph.

7. Shall refund to the Purchaser any payments received hereunder which prove to be in excess of the final total cost of delivery and performance of this Offer and Acceptance, and are not required to cover arrearages on other open Offers and Acceptances of the Purchaser.

8. Advises that personnel performing defense services provided under this Offer and Acceptance will not perform any duties of a combatant nature, including any duties relating to training, advising, or otherwise providing assistance regarding combat activities, outside the United States in connection with the performance of these defense services.

9. Advises that in the assignment or employment of United States personnel for the performance of this Offer and Acceptance, the USG will not take into account race, religion, national origin or sex.

10. Advises that, notwithstanding Purchaser's agreement to pay interest on any net amount by which Purchaser may be in arrears on payments (as provided for in paragraph B.3.g. below), USG funds will not be used for disbursements by DOD to its contractors in the event of any such arrears in payments. Accordingly, failure by the Purchaser to make timely payments in the amounts due may result in delays in contract performance by DOD contractors, claims by contractors for increased costs (including the above mentioned interest costs), claims by contractors for termination liability for breach of contract or termination of contracts by the USG under this or other open Offers and Acceptances of the Purchaser at Purchaser's expense.

B. THE PURCHASER:

1. Shall pay to the USG the total cost to the USG of the items, even if the final total cost exceeds the amounts estimated in this Offer and Acceptance.

2. Shall make payment(s) for the items by check(s) or by wire transfer payable in United States dollars to the Treasurer of the United States.

3.a. Shall, if "Terms" specify "cash with acceptance", forward with this Offer and Acceptance a check or wire transfer in the full amount shown as the estimated total cost, and agrees to make such additional payment(s) as may be specified upon notification of cost increase(s) and request(s) for funds to cover such increases.

b. Agrees, if "Terms" specifies payment to be "cash prior to delivery," to pay to the USG such amounts at such times as may be specified from time to time by the USG (including any initial deposit set forth under "Terms") in order to meet payment requirements for articles or services to be furnished from the resources of the US Department of Defense. USG requests for funds may be based on estimated requirements to cover forecasted deliveries of articles or costs to provide defense services. It is USG policy to obtain funds 90 days in advance of the time DOD plans such deliveries or incurs such expenses on behalf of the Purchaser.

c. Agrees, if "Terms" specify payment by "dependable undertaking" to pay to the USG such amounts at such times as may be specified from time to time by the USG (including any initial deposit set forth under "Terms") in order to meet payments required by contracts under which items are being procured, and any damages and costs that may accrue, or have accrued, from termination of contracts by the USG because of Purchaser's cancellation of this Offer and Acceptance under paragraph B.7. hereof. USG requests for funds may be based upon estimated requirements for advance and progress payments to suppliers, estimated termination liability, delivery forecasts or evidence of constructive delivery, as the case may be. It is USG policy to obtain such funds 90 days in advance of the time USG makes payments on behalf of the Purchaser.

d. Agrees, if "Terms" specify "payment on delivery" that bills may be dated as of the date(s) of delivery of the defense articles or rendering of the defense services, or upon forecasts of the date(s) thereof.

e. Agrees, if "Terms" specify payment under a Credit Agreement between the Purchaser and DOD, to pay to the USG on a "dependable undertaking" basis, in accordance with B.3.c. above, such costs as may be in excess of the amount funded by the Credit Agreement.

f. Agrees that requests for funds or billings under paragraphs B.3.a. through e. above are due and payable in full on presentation, or, if a payment date is specified in the request for funds or bill, on the payment date so specified, even if such payment date is not in accord with the estimated payment schedule, if any, contained in this Offer and Acceptance. Without affecting Purchaser's obligation to make such payment(s) when due, documentation concerning advance and progress payments, estimated termination liability or evidence of constructive delivery or shipment in support of requests for funds or bills will be made available to the Purchaser by DOD upon request. When appropriate, Purchaser will request adjustment of any questioned billed items by subsequent submission of required discrepancy reports in accordance with paragraph B.6. below.

g. Agrees to pay interest on any net amount by which it is in arrears on payments, determined by considering collectively all of the Purchaser's open Offers and Acceptances with the DOD. Interest shall be calculated on a daily basis. The principal amount of the arrearage shall be computed as the excess of cumulative financial requirements of the Purchaser over total cumulative payments after quarterly billing payment due dates. The rate of interest paid shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding [illegible] month preceding the net arrearage and shall be computed from the date of net ar[illegible]

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Annex A

3. Shall designate the Procuring Agency and responsible Paying Office and address thereof to which the USG shall submit requests for funds and bills under this Offer and Acceptance.

4. Shall furnish shipping instructions for the items with its acceptance of this Offer and Acceptance. Such instructions shall include (a) Offer/Release Code, (b) Freight Forwarder Code, and (c) the Mark for Code, as applicable.

5. Shall be responsible for obtaining the appropriate insurance coverage and customs clearances, and, except for items exported by the USG, appropriate export licenses.

6. Shall accept title to the defense articles at the initial point of shipment (see A.4. above). Purchaser shall be responsible for in-transit accounting and settlement of claims against common carriers. Title to defense articles transported by parcel post shall pass to the Purchaser on date of parcel post shipment. Standard Form 364 shall be used in submitting claims to the USG for overage, shortage, damage, duplicate billing, item deficiency, improper identification or improper documentation and shall be submitted by Purchaser promptly. Claims of $100.00 or less will not be reported for overages, shortages, or damages. Claims received after one year from date of passage of title or billing, whichever is later, will be disallowed by the USG, unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim.

7. May cancel this Offer and Acceptance with respect to any or all of the items listed in this Offer and Acceptance at any time prior to the delivery of defense articles or performance of services (including training). It shall be responsible for all costs resulting from cancellation under this paragraph.

8. Shall, except as may otherwise be mutually agreed in writing, use the items sold hereunder only:

a. For the purposes specified in the Mutual Defense Assistance Agreement, if any, between the USG and the Purchaser.

b. For the purposes specified in any bilateral or regional defense treaty to which the USG and the Purchaser are both parties, if subparagraph a. of this paragraph is inapplicable, or

c. For internal security, individual self-defense, and/or civic action, if subparagraphs a. and b. of this paragraph are inapplicable.

9. Shall not transfer title to, or possession of, the defense articles, components and associated support material, related training or other defense services (including any plans, specifications or information) furnished under this Offer and Acceptance to anyone not an officer, employee or agent of the Purchaser (excluding transportation agencies), and shall not use or permit their use for purposes other than those authorized by B.8. above, unless the written consent of the USG has first been obtained. To the extent that any items, plans, specifications, or information furnished in connection with this Offer and Acceptance may be classified by the USG for security purposes, the Purchaser shall maintain a similar classification and employ all measures necessary to preserve such security, equivalent to those employed by the USG, throughout the period during which the USG may maintain such classification. The USG will use its best efforts to notify the Purchaser if the classification is changed. The Purchaser will ensure, by all means available to it, respect for proprietary rights in any defense article and any plans, specifications, or information furnished, whether patented or not.

C. **INDEMNIFICATION AND ASSUMPTION OF RISKS:**

1. It is understood by the Purchaser that the USG in procuring and furnishing the items specified in this Offer and Acceptance does so on a nonprofit basis for the benefit of the Purchaser. The Purchaser therefore undertakes, subject to A.3. above, to indemnify and hold the USG, its agents, officers, and employees harmless from any and all loss or liability (whether in tort or in contract) which might arise in connection with this Offer and Acceptance because of: (i) injury to or death of personnel of Purchaser or third parties, (ii) damage to or destruction of (A) property of the DOD furnished to Purchaser or suppliers specifically to implement this Offer and Acceptance, (B) property of Purchaser (including the items ordered by Purchaser pursuant to this Offer and Acceptance, before or after passage of title to Purchaser), or (C) property of third parties or (iii) patent infringement.

2. Subject to any express, special contractual warranties obtained for the Purchaser in accordance with A.2. above, the Purchaser agrees to relieve the contractors and subcontractors of the USG from liability for, and will assume the risk of, loss or damage to: (i) Purchaser's property (including the items procured pursuant to this Offer and Acceptance, before or after passage of title to Purchaser) and (ii) property of the DOD furnished to suppliers specifically to implement this Offer and Acceptance, to the same extent that USG would assume for its property if it were procuring for itself the item or items procured pursuant to this Offer and Acceptance.

D. **ACCEPTANCE:**

1. To accept this Offer and Acceptance, the Purchaser will not later than the expiration date of the Offer and Acceptance, as set forth herein, return three copies properly signed to the security assistance accounting center designated herein, accompanied by such initial deposit or other payment as may be required by the Terms herein. In addition, Purchaser will concurrently return three copies properly signed to the U.S. Military Department or Defense Agency making the offer. When properly accepted and returned as specified herein, the provisions of this Offer and Acceptance shall be binding upon the USG and the Purchaser.

2. It is understood that implementation of the Offer and Acceptance cannot proceed without a proper acceptance. Failure to comply with Terms and Conditions required for acceptance, as, for example, delay in submission of any required initial deposit or payment of full estimated cost, as the case may be, may require revision or reissue of the Offer and Acceptance.

3. Unless a written request for extension is made by the Purchaser and granted in writing by an authorized representative of the appropriate U.S. Military Department or Defense Agency, this Offer and Acceptance shall terminate on the expiration date set forth herein.

E. **ENCLOSURES:**

Enclosures attached hereto are, by this reference, incorporated herein and are made a part hereof as though set forth in full.

F. **PUBLIC INSPECTION:**

This Offer and Acceptance will be made available for public inspection to the fullest extent possible consistent with the national security of the United States.

EXPLANATORY NOTES

1. The item or reference numbers appearing in the "ITEM OR REF. NO." column may not correspond with references used in Purchaser's original request. However, this number, together with the case identifier herein should always be used as a reference in future correspondence.

2. Availability leadtime quoted is the estimated number of months required to complete delivery of the item(s) in accordance with the terms of delivery after receipt of acceptance of this Offer pursuant to Section D. of the Conditions, and the conclusion of appropriate financial arrangements. Phased deliveries are shown by quantity and leadtime for each increment, where applicable. Items for which delivery leadtime is not shown are noted in column headed "Item Description" as items to be installed in the applicable end item prior to shipment.

3. The planned source of supply for each item is expressed in the following codes:

S (*) Service Stocks
P (*) Procurement
R (*) Rebuild/Repair/Modification
X (*) Stock and procurement, e.g., initial repair parts
E (*) "Excess" major items in long supply or excess

*Availability is stated in months.

4. Condition of the defense articles shown in the "AVAILABILITY AND REMARKS" column is expressed in the following codes:

AI – Items to be provided in existing condition without repair, restoration or rehabilitation which may be required. Condition indicated in item description.
M – Articles of mixed condition (new, reworked, and rehabilitated) may be commingled when issued. Example: repair parts, ammunition, kit assemblies, kits, tool sets and shop sets.
B – Serviceable defense articles.
O – Obsolete or non-standard item in an "AS IS" condition for which repair parts support may not be available from DOD.
S – Substitutes. Suitable substitutions may be shipped for unavailable defense articles unless otherwise advised by the Purchaser.
U – Reworked or rehabilitated defense articles possessing original appearance insofar as practicable, including all Modification Work Orders and Engineering Change Orders as applied to such defense articles when issued but defense articles should not be considered as having had total replacement of worn parts and/or assemblies. Only parts and components not meeting US Armed Forces serviceability tolerances and standards will have been replaced. In all instances such defense articles will meet US Armed Forces standards of serviceability.

5. Training notes:

AP – Annual Training Program.
SP – Special Training designed to support purchase of US equipment.
NC – This offer does not constitute a commitment to provide US training.
SC – US Training concurrently being addressed in separate Offer and Acceptance.
NR – No US training is required in support of this purchase.

6. For meaning of delivery codes, see Military Assistance Program Address Directory (MAPAD).

7. The use of Offer/Release Co[illegible] ...ch for shipment delays in excess of 15 days.

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~~Partially~~ Declassified/Released on 1/25/88
under provisions of E.O. 12356
by B. Reger, National Security Council

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UB Gate

DEPOSITION EXHIBIT
RCG #2
6-18-87

GENERAL GAST'S TRAVEL

TAB	TDY POINTS	DATES
1	Wright-Patterson AFB, OH (AFLC & DISAM)	14-15 Jan 85
2	Sal Salvador, El Sal	22-24 Jan 85
3	Homestead AFB, FL (CORONA SOUTH 85)	14-15 Feb 85
4	London, Eng, Cairo, EG, Amman, JO	26Mar-5Apr 85
5	Garmisch, Germany (+ leave in Italy), EUCOM S.A.Conf.	19Apr-4May
6	Tampa, FL (CENTCOM Sec. Asst. Conf)	13-16 May
7	Wright-Pat AFB, OH (ILC Dining In)	14-15 Jun
8	Rome, Italy & Rabat, Morocco/JMC	26Jun-4Jul
9	Tel Aviv, Israel (JSAP)	14-19 Jul
10	Denver, CO & San Antonio, TX	13-15 Aug
11	Panama (SOUTHCOM SA Conf)	23-28 Sep
12	Dayton, OH (Chamber of Commerce Speech)	12 Nov 85
13.	Germany, Bahrain, Pakistan(CG Meetings)	15-23 Nov 85
14	Hanscom AFB, MA (Boston)	6 Dec 85
15	Greece, Tunisia, Rome, Kenya, Somalia, Saudi, Yemen, Saudi, Jordan, Israel, Egypt	24Jan-17 Feb 86
16	Ankara Turkey (HLDG)	19-25 Feb
17	Hanscom AFB, MA (AFCEA luncheon speaker)	4 Mar
18	Islamabad, Pakistan	19-25 Mar
19	SecDef Trip: Korea (SCM); Japan; Philippines; Australia; Hawaii (Mrs. Gast went too)	31Mar-13Apr
20	Germany (EUCOM SA Conf); Spain; Portugal; France; UK	19 Apr-7 May
21	MacDill AFB (Tampa, Florida) CENTCOM SA Conf.	12-15May
22	Honduras & El Salvador	7-11 July
23	Tunisia & Algeria (JMCs)	1-8 Sep 86
24	Panama (SOUTHCOM SecAsst Conf)	14-17 Sep
25	Dayton, OH, Wright-Pat AFB (Pol & Advisory [illegible] Meeting/DISAM)	30Sep-1Oct

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12 Dec 86

DEPOSITION
EXHIBIT
PCB #3
6-18-87

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DEFENSE SECURITY ASSISTANCE AGENCY

12 Dec 86

Memo For Record

The attached talking points were prepared by me, as Acting Director, DSAA, on or after 19 November 1985, at the request of Noel Koch and Gen. Colin Powell (then Mil. Asst. to SecDef). They were furnished to Mr. Koch to take to Gen. Powell.

Gaffney

695-5459

5297

[redacted]

or foreign sale.
intended for
tended for tests.

apiece. This
ts could cost as much

be $36-32.5 million
added (NRC cost,
charges, plus

be replaced, so

idable difficulties:

sales, including
ec. 3 of the AECA.

es of $14 million
or indirect to a
nclassified (except
ot take place until
ys can be waived for
transfer has no such
given in any case.

dered through Israel.

ken into 3 or 4
tice.

n against splitting
, the spirit and the
and all Administrations

-- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fascell and their minority counterparts, they might agree to splitting the sale into smaller packages.

- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

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[illegible]

Hawk Missiles for Iran

- Missiles are available right now, suitable for foreign sale. There are 104 missiles at Red River Arsenal - [illegible] intended for UAE and [illegible] for Korea. Seven of these are intended for tests, but the tests can be foregone.

- The missiles at Red River Arsenal cost $300,000 apiece. This is not necessarily a firm price, and replacements could cost as much as $437,500 apiece.

- Thus, the total bill for 120 missiles would be $36-52.5 million. To this, applicable charges would have to be added: NRC cost, administration charge, packing and transport charges, plus storage.

- The missiles for Korea and UAE would have to be replaced, so DSAA will need the money to replace them.

- The modalities for sale to Iran present formidable difficulties:

  -- Iran is not currently certified for sales, including indirectly as a third country, per Sec. 3 of the AECA.

  -- Congress must be notified of all sales of $14 million or more, whether it is a direct sale or indirect to a third country. The notice must be unclassified (except for some details), and the sale cannot take place until 30 days after the notice. The 30 days can be waived for direct sales, but the third country transfer has no such provision, and notice must still be given in any case.

  -- Thus, even if the missiles were laundered through Israel, Congress would have to be notified.

- It is conceivable that the sale could be broken into 3 or 4 packages, in order to evade Congressional notice.

  -- While there is no explicit injunction against splitting up such a sale (subject to check...), the spirit and the practice of the law is against that, and all Administrations have observed this scrupulously.

  -- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fascell and their minority counterparts, they might agree to splitting the sale into smaller packages.

- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

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The political drawbacks are equally formidable

-- If Iraq ever found out, they would be greatly irritated. Their sources of supply are more readily accessible than Iran's, however, so there would be no effect in that respect.

-- Saudi Arabia and the other Gulf States would also be irritated and alarmed.

-- If Israel were used as the laundering country, they would be greatly encouraged to continue selling to Iran, and to expand their sales.

-- If the sale became known, all bars would be removed from sales by such countries as Spain, Portugal, Greece, UK, Italy, and FRG, countries who are only barely restrained from overt, large sales to Iran now.

-- In short, the risk is that of prolonging and intensifying the Iran-Iraq war, while seriously compromising US influence over Israel and other countries to restrain sales to Iran.

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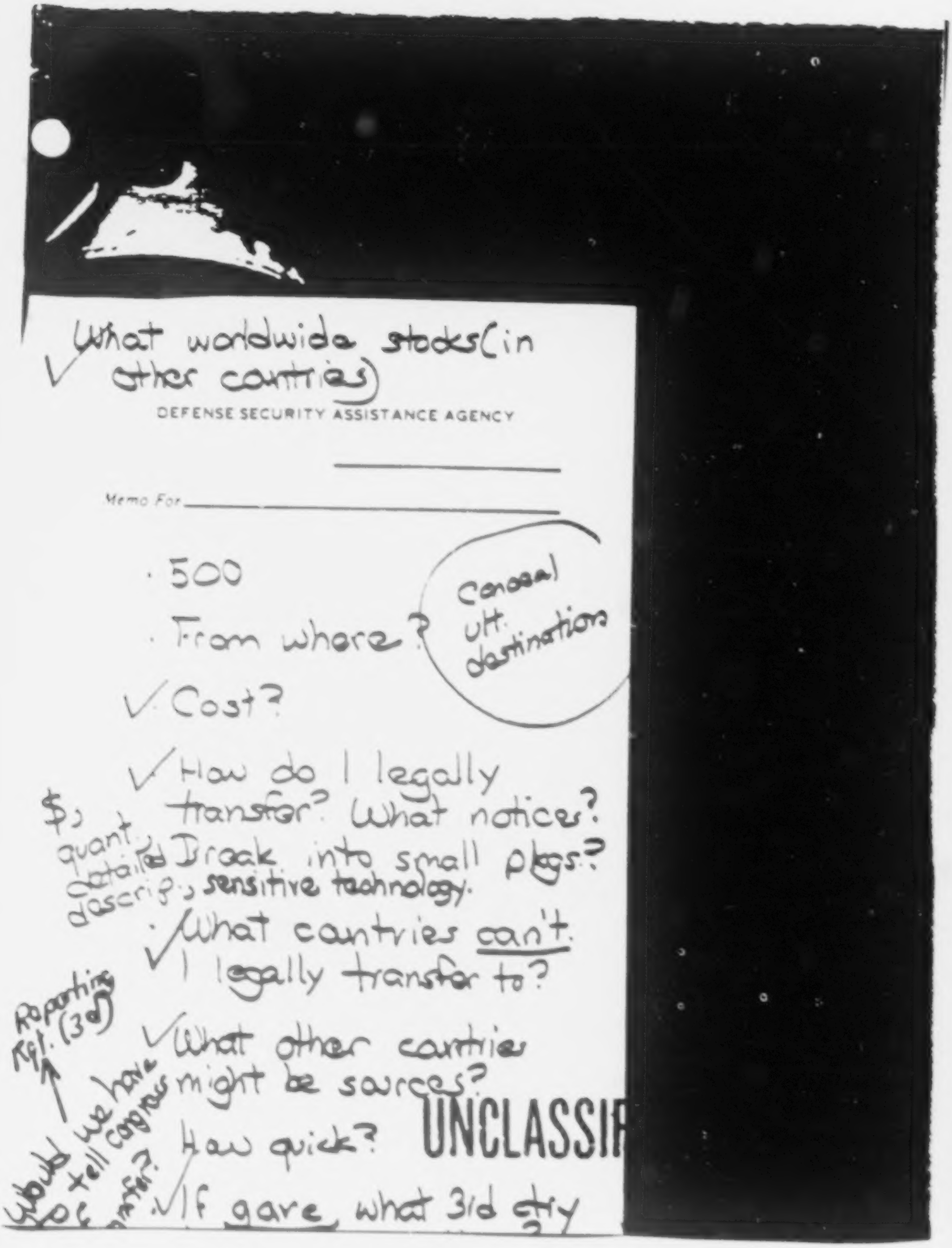

✓ What worldwide stocks (in other countries)

DEFENSE SECURITY ASSISTANCE AGENCY

Memo For

· 500

· From where?

Conceal ult. destination

✓ Cost?

✓ How do I legally transfer? What notices?

Break into small pkgs?

$, quant., detailed descrip., sensitive technology.

✓ What countries can't I legally transfer to?

Reporting Rqt. (3rd)

✓ What other countries might be sources?

Would we have to tell Congress of transfer?

How quick?

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✓ If gave, what 3rd ctry

[redacted]

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1. Find 'em
2. When available?
3. Notify Congress
4. Prepare LOA

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[redacted]

1. Find em
2. When available?
3. Notif.

120
77 UAE produced
43

120
300
36000

146K each

Red River
Arsenal 77 (of which 3 test)
(Texas-Ark) 87 (of which 4)
164 (300K)

[redacted]

[redacted]

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[redacted]

[redacted]

1. 100 to Israel shipped two weeks ago

2. 11 to [illegible]; others [illegible] to

FF. FF.

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[redacted]

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DEFENSE SECURITY ASSISTANCE AGENCY
WASHINGTON DC 20301

24MAR86

DEPOSITION EXHIBIT
PCG #4
6-18-97

33649

24 March 1986

MEMORANDUM FOR RECORD

SUBJECT: Offer of Additional FY86 Security Assistance to the Government of Honduras (S)

- (S) As a result of meetings between the President of Honduras and Assistant Secretary of State Abrams, the undersigned remained in Honduras for additional meetings with the Honduran Armed Forces. The reaction by senior Honduran officers to Assistant Secretary Abrams offer of immediate additional security assistance was very positive. The Honduran Commanders requested that I express their appreciation to Assistant Secretary Abrams for his offer of additional security assistance.

- (U) After meeting with all three of the military services I was able to develop a list of military requirements (attached) that the U.S. can satisfy if there are appropriate policy decisions concerning specific items, and a source of funding.

[redacted]

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- (S/NF) In summary, I believe the attached list contains items that will satisfy the Honduran Armed Forces if we make a commitment to allow them to purchase [redacted]

M. Royer, Colonel, USA
Chief, Latin America Division

CC: Director, DSAA, Lt Gen Gast
ASD, ISA, Mr. Armitage
DASD, ISA/IA, Mr. Sanchez

K 33651

1 page Withdrawn
Access only
ZDC 4/25/87

TOP SECRET/CODEWORD

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Stenographic Transcript of

HSITS -181 /87

HEARINGS

Before the COPY NO. 1 OF 2 COPIES

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

DEPOSITION OF ROBERT M. GATES

Friday, July 31, 1987

Partially Declassified/Released on 24 Jan 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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Washington UNCLASSIFIED

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ALDERSON REPORTING

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WASHINGTON, D. C. 20001

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DEPOSITION OF ROBERT M. GATES

Friday, July 31, 1987

United States Senate
Select Committee on Secret
Military Assistance to Iran
and the Nicaraguan Opposition
Washington, D. C.

Deposition of ROBERT M. GATES, called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 1:42 p.m., the witness having been duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

Partially Declassified/Released on 24 JAN 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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APPEARANCES:

On behalf of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition:

THE HONORABLE DAVID BOREN
PAUL BARBADORO, ESQ.
TIMOTHY WOODCOCK, ESQ.
TOM POLGAR

On behalf of the Senate Select Committee on Intelligence:

SVEN HOLMES, Staff Director

On behalf of the House Permanent Select Committee on Intelligence:

DIANE DORNAN

On behalf of the Central Intelligence Agency:

KATHLEEN MCGINN, ESQ.
JOHN RIZZO, ESQ.

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C O N T E N T S

WITNESS	EXAMINATION ON BEHALF OF SENATE	EXAMINATION ON BEHALF OF HOUSE
Robert M. Gates		
By Mr. Barbadoro	4	
By Mr. Woodcock	75	
By Ms. Dornan		80
By Mr. Barbadoro	82	
By Mr. Woodcock	85	

E X H I B I T S

GATES EXHIBIT NUMBER	FOR IDENTIFICATION
1	17
2	35
3	40
4	56
5	83

PROCEEDINGS

Whereupon,

ROBERT M. GATES,

called as a witness by counsel on behalf of the Senate Select Committee and having been duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION

BY MR. BARBADORO:

Q Mr. Gates, thank you for coming today. As a preliminary matter simply let me note that the Committee has received copies of your testimony on these matters before the Senate Intelligence Committee. We received your testimony before the Tower Board and your testimony at your confirmation hearing. On all three occasions you gave in-depth testimony about your knowledge of the Iran initiative, and it's not my intention to review events that you've already testified about.

Rather, I want to ask you primarily about things that we have discovered and issues that have arisen since the time of your testimony. The first area I'd like to go into with you is the statements that Colonel North made about Director Casey's knowledge and agreement with a proposed freestanding, off-the-shelf, privately-financed entity to conduct covert operations on behalf of the U.S. Government.

Let me first ask you did you have an opportunity to see that part of Colonel North's testimony where he described that entity and described what Director Casey's knowledge of that entity was?

A I've basically read newspaper accounts of it. I did not see it.

Q Let me just read you a portion of Colonel North's testimony so that we will all know what he was talking about during his testimony. Mr. Liman asked him these questions and Colonel North gave these answers, beginning with Mr. Liman.

"Do you remember giving testimony about the fact that Director Casey wanted something that he could pull off the shelf and that that is why he was excited about the fact that you were now able to generate some surpluses that could be used?"

Mr. North: "That is correct."

Mr. Liman: "Why don't you give us a description of what he said or, as you understood it, what he meant by 'pulling something off the shelf'?"

Mr. North: "Director Casey had in mind, as I understood it, an overseas entity that was capable of conducting operations or activities of assistance to U.S. foreign policy goals, that was stand-alone."

Mr. Liman: "Self-financed?"

Mr. North: "That was self-financing, independent of appropriated monies and capable of conducting activities similar to the ones that we had conducted here. There were other countries that were suggested that might be beneficiaries of that kind of support, other activities, to include counterterrorism."

Elsewhere in his testimony Colonel North elaborated on this idea further, but that is a general description of what he claims he was talking with Director Casey about.

I want to just ask you did Director Casey ever say anything to you about an entity such as the one that Colonel North described?

A No. He never said anything that would have even suggested that he was thinking about such a thing. And I might add that such a notion would have been one that if it had been pursued I would have considered it necessary to resign rather than tolerate.

Q I want to get into that issue with you in just a minute, but let me follow up on this a little bit more. To your knowledge, was the creation of such an entity ever discussed by anyone at the Agency?

A Not to my knowledge.

Q You have mentioned that for you these use of that kind of an entity by the CIA would be a resignation issue. Could you explain what you mean by that and why you feel that strongly about it?

A The idea of U.S. Government officials creating an entity to carry out U.S. policy activities or policy-related activities outside of normal Executive branch procedures, outside of Congressional oversight, with non-appropriated funds would seem to me to be an intolerable and unnecessary activity.

Q Do you have questions about the legality of such an entity?

A Well, I'm not a lawyer, but I certainly would have questions about its legality. I don't have answers, but I certainly would have questions.

Q And apart from the legality of such an operation do you disagree with the prospect of using such an entity for policy reasons?

A Yes, because I think it is fundamentally unnecessary.

Q Colonel North also described in his testimony the role that he, Colonel North, played in the resupply operation that was conducted to resupply the contras during 1986. Prior to November of 1986 did Director Casey ever discuss with you what Colonel North's role was in supporting that resupply operation?

A No, he did not.

Q Did he ever say anything to you which led you to believe that he knew about Colonel North's role in supporting that operation?

A No. My impression from comments that Mr. Casey made to me was that his level of knowledge was along the lines that in fact have been suggested in the press, and that is that there was encouragement of private fundraising, advice to the contras, but nothing suggesting an operational role.

Q So from your conversations with Director Casey you gathered that he saw Colonel North's role as one of encouraging private contributions and providing general advice to the contras, but not as coordinating the resupply operation in the way that he described it in his testimony?

A That would be my impression, yes, that it was not a tactical role at all.

Q Let's turn to the time period of October and November of 1986, and I want to start with a meeting that I believe you had with Charlie Allen on October 1. Do you remember that meeting?

A Yes.

Q Do you remember who requested the meeting?

A Mr. Allen did.

Q And what was the purpose of the meeting?

A He wanted to bring to my attention intelligence information that he had received or been looking at that led him to believe that the operational security of the Iranian initiative was in jeopardy and, finally, to express his concern over a development that he or -- he wanted to inform me of his speculation, looking at the intelligence, that there might have been a diversion of money from the Iranian affair to Central America.

He acknowledged that he didn't have any evidence of such a diversion and no indication that there was any involvement by a U.S. person or persons in the activity or in what he was thinking about. It was just that between the overcharging that he saw in the intelligence materials and the cheating that he perceived was going on and the fact that there were -- and I should have said earlier U.S. Government persons -- and the fact that some of the players in the Iranian affair were also active in support of the contras, he was concerned that some of that money might be going.

And, as I say, he acknowledged himself that it was speculation and it really was, in the context of the total briefing, a relatively minor part of it.

Q Let me get to that in a minute. First, let me ask you what were his concerns about the operational security problems with the Iran initiative?

A Well, I don't remember precisely, but it had to do with the change of channels from the first channel to the second channel and the fact that Ghorbanifar and others involved in the first channel were very unhappy about the change and the concern that they might go public.

Q Did Mr. Allen tell you in this meeting on October 1 that private parties that had been involved in financing the initiative were complaining about not getting their money?

A I don't recall him saying that, no, not on the first of October.

Q Do you recall whether there were any discussions at this October 1 meeting about Mr. Ghorbanifar's complaints that he had been overcharged for the arms that were shipped to Iran?

A It's hard for me to separate what Allen said on the first because I didn't take any notes and what he wrote in his paper that he prepared a few days later, I know that he spoke of Ghorbanifar's unhappiness. Whether he spoke specifically about the overcharges, I don't recall.

Q Is it fair to say that he described to you in this meeting of October 1 essentially what he put in that paper that he prepared at your direction after the October 1 meeting?

A There was one difference that I recall in the -- the one difference that I recall specifically between what he told me on the first and what he wrote in the paper when he actually set down his view, on the first he spoke specifically about the possibility of -- his speculation of the possibility of a diversion to the contras. But when he wrote his paper he backed away from that and simply referred -- and again that was in the context of if Ghorbanifar goes public, these are the kinds of allegations that he might make, and he listed several, and the last one of those was that some money from the Iranian initiative was being -- I don't remember the right word -- was being diverted to other projects of the U.S. Government and of the Government of Israel.

So it was a less specific formulation.

Q So in the October 1 meeting he specifically mentioned the possibility that Ghorbanifar would charge that money from the arms sales had been diverted to the contras, whereas in the paper he prepared after the meeting he used a more general description and described it as a possible diversion to certain unspecified U.S. and Israeli projects; is that right?

A Well, again it's going back a long time, but my recollection is that he made more on the first of the fact that some of the same people involved in the Iranian affair were involved in the contra, the private benefactor effort. And there was much less emphasis on that in the memorandum that he prepared a couple of weeks later.

Q At the October 1 meeting did he specifically raise his concern that money from the arms sales might have been diverted to the contras as opposed to simply saying that money from the arms sale might have been diverted to certain unspecified U.S. projects?

A Yes.

MR. BARBADORO: Let's go off the record for just a second.

(A discussion was held off the record.)

MR. BARBADORO: We can go back on the record.

BY MR. BARBADORO: (Resuming)

Q As he described it to you on October 1, what was the basis for Mr. Allen's suspicions?

A I think that, as I recall, it was -- I may be putting words in his mouth, but I think it was basically two things -- first of all, all of the suggestions [redacted] of cheating and overcharging. Now frankly that by itself, I think, was not of particular concern to people because these were Iranians and arms dealers, and I think as far as most of our people are concerned that goes with the territory.

But the second thing -- and again this is where I may be putting words in his mouth -- I think it was the fact that General Secord was involved in the Iranian business and also involved in the private benefactor effort that just caused him to wonder about the possibility. And that's why there was no -- as I say, he didn't have any evidence and he acknowledged that. He didn't have any indication of any U.S. Government role or anything. I think it was just the mere fact of Secord's presence in both of these activities that, I think is just the best way to put it, raised his concern.

Q As of October 1 did you know that Secord was involved with the Iran initiative?

A I'm not entirely certain, but I don't think so. It would have been kind of vague, having heard that he was playing some kind of a role. But in terms of the centrality of his role, I certainly am pretty sure I was not aware of that at the time.

Q Did Mr. Allen explain what Secord's role was in the Iran initiative at the October 1 meeting?

A I don't think so.

Q As of October 1, did you know what Mr.

Secord's role was in supporting the contra initiative?

A No. I knew that he was one of the private benefactors, but I really didn't know anything beyond that, particularly in light of what has emerged subsequently.

Q Did Mr. Allen explain to you at the October 1 meeting what Secord's role was in supporting the contra initiative?

A No. I'm pretty sure he didn't.

Q As of October 1 was it your understanding that the arms were being passed from U.S. Government stocks to a private agent or entity and then to the Iranians?

A The specifics on how all of this was taking place were not very clear to me at the time. In other words, I knew the basic outlines of what was happening in terms of the arms. I really can't recall what I knew at the time about the role of the intermediaries. I must have been aware that the materials were going, that the weapons were going through or at least that the money was going through intermediaries.

I think I was unclear about whether the weapons themselves were being taken directly from our [redacted] to the Iranians. I think I was not clear on that point, but I knew that there were intermediaries involved in the financing -- I mean in the accounts.

Q Did Mr. Allen mention in this October 1 meeting how he thought the money was being generated which could then be passed to the contras?

A No.

Q What else did he tell you about his suspicions that money from the arms sales might be going to the contras?

A What I've described is basically all that he told me. And, as I say, it came at the very end of the conversation, after having described his concerns about the operational security, which was the focus of his concern.

Q So his reference about the contras was really one small part of a larger set of concerns that he had?

A That's correct.

Q What did you tell him to do about his concerns?

A I told him that I thought it was important that he brief the Director, and I urged him to do so as quickly as possible.

Q And do you know whether he did subsequently meet with Director Casey?

A Yes, he met with him on October 7.

Q That same day, October 7, Director Casey received a call from Mr. Furmark. Did Director Casey ever tell you about that telephone call?

A As I recall, when Allen briefed Casey on the operational security problems I think -- and again I'm trying to sort out what I've heard subsequently and what I heard then, and it's a little difficult -- but I think that at that same session Casey relayed the information about the unhappy Canadian investors that Furmark had passed along to him.

Q Were you present at that meeting between Allen and Casey on the 7th?

A Yes.

Q Did Allen describe basically the same concerns at the meeting on the 7th that he had described at the meeting on the first?

A Yes.

Q And in addition to that you recall Director Casey mentioning his conversation with Furmark earlier that day where Director Casey had learned about the angry Canadians?

A I'm pretty sure that he at least talked about the unhappy investors, the Canadian investors.

Q What was Director Casey's reaction when Allen described his suspicion that money from the arms sales may have been diverted to the contras?

A Well, it seemed to me -- again trying to remember -- that he seemed somewhat surprised by that.

Q Did Director Casey inquire as to what the basis of Mr. Allen's suspicions were on that point?

A I don't recall that he pursued it. I think Allen made basically the same observations that he had to me on the first, and, as I recall it, I think that was the point at which the Director asked Allen to write all of these concerns, write all of it up.

Q Did Director Casey ask either you or Allen to do anything else other than to write up, other than to ask Allen to write up his concerns?

A No.

Q Could we mark this Exhibit 1?

(The document referred to was marked Gates Exhibit Number 1 for identification.)

Mr. Gates, let me show you a document which has been marked as Exhibit 1. It is a 14 October 1986 note from Charlie Allen to Director Casey, and attached to it is seven pages of typewritten notes. Let me ask you if you've seen that before.

A Yes. This is the paper that Allen provided to the Director and me.

Q And you saw this at or around the time it was produced?

A Yes.

Q On page six of the memorandum Mr. Allen describes his concern that Ghorbanifar may claim that money from the arms sales had been diverted to "other projects of the U.S. and of Israel". Do you know why Mr. Allen referred to it this way rather than to say that he was concerned that money was going to the contras from the arms sales?

A No. But the way I interpreted it was that between talking about it and writing it down for the record that he became -- and again this is just my interpretation -- he became less certain about what was going on or about his speculation here and therefore couched it in more general terms.

But, as I say, that's just my interpretation. I did not ask him.

Q What did Director Casey decide to do about Mr. Allen's concerns after he received this 14 October 86 memorandum?

A I encouraged the Director to make an appointment with Admiral Poindexter and give him this memorandum and alert him to these concerns.

Q And did such a meeting take place the next day, October 15, 1986?

A Yes. As I recall, we tried to get an

appointment the same day we got the memorandum, on the 14th, but were unable to do so, and met the next afternoon in Casey's office. As I recall, Poindexter was in the Old EOB because he had a staff meeting, and he joined us prior to his staff meeting.

Q Was anyone else present at this meeting in the Old EOB other than you, Director Casey and Admiral Poindexter?

A No.

Q What happened at that meeting?

A Poindexter sat down. Casey gave him this memorandum and urged him to read it in our presence, and he did so.

Q And Poindexter read it. What happened after Poindexter finished reading the memorandum?

A Well, he was basically, as I recall, impassive in his reaction. There was discussion about the operational security problem. As I recall, that was an occasion, one of the first occasions, when Casey started talking about making the entire affair public, and I think he also at that point recommended to Poindexter that he have the White House counsel review the matter, review what the NSC was involved in, to ensure that everything was legal. I don't know if he said "legal", but to ensure that everything was proper.

Q Do you recall any discussion at that meeting about this reference on page six of the memorandum to the possibility that money from the arms sales had been diverted to other U.S. and Israeli projects?

A Again, memory is imperfect this long after, but I don't think so. But he did encourage Poindexter to read it carefully and he did.

Q You mentioned, I think, two things which I would characterize as recommendations that Casey had as to how to handle this thing. Is that a fair way to characterize what Casey was suggesting?

A There was a brief discussion at the end of the paper about appointing a panel of wise men, if you will, to come in and look at all the documentation and review the policy and make their suggestions on the next steps. As I recall the conversation, that recommendation was dismissed fairly quickly.

Q By Admiral Poindexter?

A Well, I don't really remember. My recollection is that neither one of them took it too seriously.

Q Who was it that offered that possibility?

A It's in Allen's memorandum.

Q I see. Okay. Did Director Casey suggest to Poindexter that it was time to make the whole initiative public at this meeting on the 15th?

A That's my -- my recollection is that he said something to the effect that it was time that they ought to think about making the whole thing public.

Q What was Poindexter's reaction to that recommendation?

A I don't remember precisely, but I think that the basic reaction was that it was premature, that there was still an opportunity to get some additional hostages.

Q Director Casey also recommended to Admiral Poindexter that White House counsel review the initiative. What was Admiral Poindexter's reaction to that recommendation?

A At that meeting I don't think he reacted.

I should mention I don't know whether you will be asking later, but before we went down to the White House, down to the meeting, I asked Casey for permission to break the compartmentation on this initiative and to bring in CIA General Counsel and brief him on everything that I had heard from Allen and ask him to look into the entire matter and ensure that at least from our perspective everything was proper, that there were no problems.

Casey agreed, and I did that. And in the context of that the General Counsel, in terms of the

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steps that he recommended to me, they paralleled what in fact we did, which was to take the information to Poindexter and recommend that they have White House counsel review it.

Q What else did CIA General Counsel recommend?

A Those were his only recommendations at that time. I asked him to look into the entire matter and he later got back to me and said that he did not believe there were any concerns from a legal or propriety standpoint for CIA.

Q Do you know whether he looked into the speculation by Charlie Allen that money from the arms sales had been diverted to other uses?

A I don't know that he pursued that.

Q Were there any other recommendations made at this meeting on the 15th other than what we have already discussed?

A None that I can recall.

Q Were any decisions reached as to how to handle Mr. Allen's concerns for the operational security of the program?

A No. The Director encouraged Poindexter to keep the paper and I recall that I guess it was my suggestion that we remove the cover sheet, the cover note from Mr. Allen so that to the degree that the paper

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expressed criticism of the enterprise it wouldn't reflect badly on him.

Q And was that done?

A Yes.

Q Let me ask you, is the first page of Gates Exhibit 1 the cover sheet for the memorandum?

A Yes, the transmittal notes from Allen to the Director in name.

Q I want to go back a few days to a meeting that you had with Colonel North on October 9. Do you remember that meeting?

A Yes.

Q Where did that meeting take place?

A In Casey's office.

Q And who else was present besides you and Director Casey and Colonel North?

A No one.

Q What was the purpose of that meeting?

A Well, the meeting had already been set up between the Director and Colonel North, I was under the impression for the purpose of Director Casey hearing North's report on the most recent meetings with the Iranians. I in essence invited myself to the lunch in part because or in substantial measure because that morning -- and I may have the dates, precise dates, incorrect -- but I believe that morning Eugene Hasenfus had announced in Managua that he was working with or for CIA, and he had been shot down I think two or three days prior to that.

And it looked as though the Director and I were going to go to the Capitol that afternoon and meet with the Chairman and Vice Chairman of both of the intelligence oversight committees. I had already talked to the people in our Directorate of Operations and received their reassurances that no one from CIA, no assets or proprietaries or anything, were involved in any of these activities.

And because of the impression that Colonel North at least was a contact point or a go-between between the private benefactors and the contras I wanted the opportunity to ask him directly if he knew of any involvement, direct or indirect, by CIA individuals or proprietaries.

Q Is it fair to say, then, that the reason the meeting was scheduled was to discuss the Iran initiative, but because of events that had occurred on or about October 7 you decided it would be an occasion also to discuss the contras with Colonel North?

A Yes.

Q What discussion was there at the meeting about the Iran initiative?

A As I recall, North did give a debriefing on the meetings with the Iranians. I believe also that Casey described the unhappy investors and the operational security problems raised by Mr. Allen. And again, as I recall, I think that was basically it on the Iran initiative.

Well, there was one other subject which I felt a little foolish about at the time but subsequent to Admiral Poindexter's testimony I have felt better about. In the course of this lunch I noted that CIA still did not have a copy of the January 17 Finding and that as far as anyone knew that Finding existed in one copy only in Admiral Poindexter's safe, and I told the Director during the lunch that I felt he should insist on getting his own copy. And I told North that he could tell Poindexter that we would put it in Casey's personal safe, whatever requirements they wanted.

I said perhaps I've been reading too many novels, but that one piece of paper is the only thing that gives legal authorization to what CIA has been doing since 17 January in this affair, and who knows what might happen to that single piece of paper. But if it disappeared we could have big trouble. And we subsequently got a copy of the Finding. I might add since the last couple of weeks I've really been glad.

Q Do you recall how you learned that you didn't have the Finding? Could it have been from the CIA General Counsel when you asked him to look into the whole initiative?

A I really don't remember how it came to my attention that we didn't have the Finding. I knew that several of our people had read the Finding, and I don't know why.

Q Did you later receive a copy of the Finding from Colonel North?

A Yes, we did -- actually from Admiral Poindexter. But it took a couple of weeks.

Q You mentioned that Director Casey described his conversation with Furmark about the unhappy investors. What was Colonel North's reaction when the story of the unhappy investors was described to him?

A I don't remember really what his reaction was. I don't really remember. I would speculate that he explained the benefits in having changed channels, but beyond that I really don't remember.

But I guess the other aspect of it worth noting is simply that his response was nothing remarkable. He didn't fall over backward in his chair and say that's the most horrible thing I've ever heard.

Q What was his reaction when the operational security problems with the initiative, as seen by Mr. Allen, were described to him?

A Again my recollection is that in that part of the conversation he was mostly just listening. My memory is vague on that, but I think that Casey did most of the talking on that question.

Q Did Colonel North attempt to refute Mr. Allen's concerns for the operational security of the program?

A Not that I recall.

Q Was Mr. Allen's concern that money from the arms sales was being diverted to other programs raised at the meeting?

A No.

Q Colonel North has testified that it was on Mr. Casey's instructions that he began destroying documents concerning the Iran initiative and his involvement in the contra program, and that he received these instructions from Director Casey shortly after Director Casey received the call from Mr. Furmark. Was there any reference at all, any discussion at all, in this meeting on October 9 about destroying documents concerning either the Iran initiative or the contra program?

A Absolutely not. I think that the most that Casey probably said in that session was something to the effect, on the unhappy investors and so on, was probably something to the effect of you ought to get this straightened out or something like that. There was no indication, I mean nothing that I recall, that you could read between the lines, as I've thought back, in terms of destroying documents or anything like that.

Q Let's turn to the discussion at the meeting about the contras. What did you say to Colonel North about the contras and what was his response?

A It was really not a prolonged exchange. I simply think I noted -- we talked about the Hasenfus matter, the shootdown, and I simply asked North directly whether he had any knowledge whether any CIA assets or proprietaries, directly or indirectly, were in any way involved with the private benefactor effort, and he responded absolutely not, that he had worked very hard to prevent that.

And I think that was the end of that conversation, and that was the part that I recorded.

Q Did you and Director Casey have plans to go down and speak to the Congressional Committees about the Hasenfus matter on the 9th of October?

A I have been trying to reconstruct that in my mind. I thought that we should, and I think that the initiative was ours in the event, but it may not have actually been arranged until after the lunch.

Q You have described a discussion about the CIA lack of involvement with the private benefactors. Was there any discussion in the meeting about what Colonel North's role was with respect to the private benefactors?

A No.

Q Why wasn't Colonel North's role regarding the private benefactors discussed?

A Well, I was the one that raised it, and frankly the main issue on my mind was the firestorm of publicity surrounding CIA's role because of the allegations made by Hasenfus and also what was on the news media and so on. So that was really my preoccupation at the moment, was CIA, not what Colonel North might have been involved in.

Q I was going to get into this later on, but this may be a good time to discuss it. As of the 10th of October what did you know about the role of [redacted] CASTILLO [redacted] in assisting the private benefactors?

A Absolutely nothing.

Q You didn't know that he had a KL-43 machine or some kind of secure communications device?

A No.

Q And you didn't know that he was --

A Well, I didn't know that he had a device [redacted]

Q Right. And you didn't know that he was relaying information between the private benefactors and the southern front forces?

A No.

Q And you didn't know that he was receiving instructions regarding the private benefactors from Colonel North?

A No.

Q What did you know about Colonel North's role concerning the private benefactors as of 10 October?

A Well, most of what I knew I knew from allegations in the newspapers. My understanding of what he was doing at the time was that he was basically holding the hand of the resistance leaders, offering them political advice and staying in touch with them, that he was encouraging, with presumably others in the White House, encouraging private Americans to donate money to the contras, and I presumed that he had a role in putting those two groups in touch with one another.

And that basically was my understanding of his role.

Q Did you know that the private benefactor operation was being run out of [redacted]

A Well, I think I knew that some -- yes, I guess I did, that some of the private benefactor resupply planes were moving [redacted] because this was a question that came up in the meeting with the Chairman and Vice Chairman of the Intelligence Committees.

Q Who did you think the private benefactors were as of October 1986?

A My impression, frankly, was that those who were -- well, the private benefactors were wealthy Americans who were contributing to the cause.

Q Did you know, did you tie any names to this group of private benefactors?

A Well, I had read the names in the newspaper of General Secord and General Singlaub, I guess particularly General Singlaub at that point. That's the only name that I recall.

Q C/CATF [redacted] has testified in a deposition to the Committee that he knew as of October of 1986 that Ollie North was in some way connected with the private benefactors. Did he ever tell you that as of October 1986?

A Not that I recall. I just don't remember. I don't think so.

Q Were you aware of any connection between North and the private benefactors as of October 1986?

A Well, as I indicated --

Q Other than North's general involvement with fundraising.

A And in an advisory capacity, no, certainly not in an operational sense. Let me put it that way.

I might add, you know, there's been a great deal of attention drawn to the letter that McFarlane sent to Mr. Hamilton avowing that whatever North was doing was legal and proper. The House Intelligence Committee were not the only ones that read that letter and were not the only ones that believed it. So there was a predisposition that while we didn't know or certainly from my standpoint, I think from the standpoint of others as well, that while we didn't know entirely what North was up to, the presumption was that it was proper because of that letter.

Q Is it safe to say that the same representations that were made to the Intelligence Committees about Colonel North's role in supporting the contras by the NSC were made to the CIA as well and that you relied on those representations?

A Well, during that period I was the Deputy Director for Intelligence and not really involved in any -- would have had no legitimate connection with any of these activities to begin with, so nobody said that to me directly, but I think it's a fair -- I don't know whether there were specific representations made, but I believe in retrospect that people at CIA did pay attention, read and pay attention, to that letter and believed it.

Q Let's go back to the meeting on October 10.

A Nine.

Q October 9, excuse me. Was there any discussion at that meeting about Swiss bank accounts?

A There was a reference, as I recall, at the very end of the lunch -- we may have even been getting up from the table -- some reference, a vague reference that I have not been able to reconstruct of something to do with Swiss bank accounts and the contras.

Q Who made the reference?

A North.

Q Do you know what prompted the reference?

A I do not recall, but this subject of the contras and the Hasenfus affair and the private benefactors and any CIA connection, as I recall, was the last subject at the lunch so it presumably grew out of that discussion.

Q Did North say anything when discussing the Swiss bank accounts that in any way caused you to draw a connection between those bank accounts and anything to do with the Iran initiative?

A No. But, coming from the analytical side of the house, Swiss bank accounts have a connotation for me that maybe they wouldn't for people in Operations [redacted] and as a result, immediately after the lunch, I went back into Casey's office and said, you know, he made some strange reference or whatever to Swiss bank accounts and the contras. Is there anything there that we should be worried about or that we should be concerned about?

And it appeared to me that Casey hadn't even picked up on what he had said. He kind of looked at me quizzically and he had either not heard or it hadn't made any impact on him or whatever, and he basically just kind of waved it off.

Q Is there anything else you can remember about Colonel North's reference to the Swiss bank accounts and the contras?

A No.

Q Did either you or Director Casey at this meeting on the 9th ask Colonel North whether money was being diverted from the arms sales to the contras?

A No.

Q Why didn't you ask him about it?

A Well, again I think it has to be seen in the context of October 9 and not the end of July 1987. The principal concern that Allen had surfaced was one of operational security. There was no reference in any of his discussions or in his paper to anybody in the United States Government being involved. There was no reason to have the slightest suspicion at that time that anybody at the NSC was involved in this activity.

The question really was focused more on, in the initial conversation on the possibility of perhaps General Secord being involved in something inappropriate. So there was really no reason to ask North, because there was no suspicion at that point even by Allen that he or anybody else at the NSC was in any way associated with that speculation.

Q Would you mark this as Exhibit 2?

(The document referred to was marked Gates Exhibit Number 2 for identification.)

Mr. Gates, let me show you Exhibit 2, which is a 10 October 86 memorandum prepared by you concerning lunch with Ollie North. Do you recognize that?

A Yes.

Q Is that the memorandum of your meeting with North on the 9th?

A Yes.

Q The one question I have about Exhibit 2 is, why doesn't it contain any reference to Colonel North's statement about the Swiss bank accounts and the contras?

A Because it was, as I indicated, kind of a cryptic comment that I attached -- didn't understand. And when I raised it with the Director he hadn't made anything of it. And so, since I didn't know what he was talking about, there is no reason to include it.

Q When did you and Director Casey next meet with Admiral Poindexter after the meeting on the 15th?

A I left the country on an overseas trip on 17 October. I think I got back on the 30th. And I think our next meeting was on November 6.

Q I'm sorry. When did you say you got back?

A I think on October 30.

MR. BARBADORO: Let's go off the record.

(A discussion was held off the record.)

MR. BARBADORO: Let's go back on the record.

BY MR. BARBADORO: (Resuming)

Q When was your next meeting with Director Casey and Admiral Poindexter after the 15th?

A That was November 6.

Q What was the purpose of that meeting?

A As best I can recall, it was one of our regular Thursday evening meetings. We would meet every week.

Q Did the subject of the Iran initiative come up at that meeting?

A As I recall, it came up only briefly. I believe the Director again urged making it public and again urged having White House counsel review the NSC's activities, and I'm pretty sure it was at that meeting then that Admiral Poindexter said that he didn't trust the White House counsel. I guess he said I don't trust Wallison to keep his mouth shut.

Q Was there anything said at this meeting about whether Colonel North should get a lawyer?

A No, not that I recall.

Q In one of your earlier -- one of the transcripts of your earlier testimony on this initiative you made a reference to Director Casey at some point suggesting that Colonel North should get a lawyer, and I'm unclear as to when that was.

A I don't think that was in my presence. I think he told me about that or just mentioned that he had told North that he ought to get counsel. And, as I think I pointed out in one of the testimonies, it really wasn't clear to me whether he was referring to North talking to the White House counsel or getting private counsel. It was just a passing reference, and I think it was in the context of talking about this same kind of recommendation, about having White House counsel review the matter.

Q Did he explain whether he thought North had done something wrong?

A No. As I have looked back through, as part of the investigations and so on, my impression has been -- and it's only an impression -- that he thought that North might have some civil liability growing out of the unhappy investors, but that's just a speculation on my part.

Q Do you know whether Director Casey raised specifically Charlie Allen's concerns about the possibility that money from the arms sales had been diverted to the contras with Admiral Poindexter in the meeting on November 6?

A I'm pretty sure he did not.

Q He did not. So there was no discussion at that meeting on the 6th about the possibility of funds being diverted to any project as far as you can remember?

A I'm pretty certain that's the case. I do not recall the subject being raised with Poindexter in my presence again after October 15.

Q According to our records, you and Director Casey met with Admiral Poindexter again on November 13.

A Yes.

Q This was after the Iran initiative had been made public. Was there any discussion at this meeting on the 13th about the issue of diversion?

A No. The one thing that I recall happening, it became clear that we were going to have to testify before Congress on this matter, and on the 12th I drafted a note for Casey to send to Poindexter saying what expressed my view that we should not come up to the Hill to brief at all unless the President rescinded his direction not to talk about the Finding, that we had to be able to talk about the Finding and all of the activities that flowed from it.

Casey did not send that note, and my recollection is that at the meeting on the 13th, though, the subject came up and I believe that at that point it was agreed that that's the way it would go, that we would testify, when we did testify we would testify to the Finding and everything else.

Q I'm want to turn to the subject of the preparation of Mr. Casey's testimony and I want to show you a document which CIA has provided to the Committee and which might be helpful to you in refreshing your recollection as to when you first got instructions to help prepare that testimony. Let me mark it as Exhibit 3.

(The document referred to was marked Gates Exhibit Number 3 for identification.)

Exhibit 3 is a 16 November 86 memorandum from Director Casey to you. Let me ask you if you remember getting that memorandum on or about 16 November.

A I had not recalled this memorandum until I saw it a few days ago. As a result, I had thought from the very beginning that my telephone call to Mr. Casey on the 17th was to persuade him to return from Central America to deliver testimony, that I would not be able to give it myself without knowing a lot of the facts and details.

Having seen this, I still don't recall having gotten it, but, having seen it, I now believe that that memo indicates that he intended to return at midnight Thursday. Now I believe that my phone call to him was probably to tell him that he had to come back earlier than that.

Q When did Director Casey leave for Central America and when was he originally scheduled to return?

A Well, I don't really know, but I think he was leaving that Sunday, the 16th, and I think he was scheduled to be gone the entire week.

SENATOR BOREN: Let me interject. Chairman Stokes asked me to come over as well. It had been our understanding -- and Mr. Gates has not entered any objection to this -- but it has been our understanding when we had a Members meeting of the Committee that it was not necessary to call Mr. Gates to testify.

The Members of the Committee, I had thought, decided it and that if he were asked he would be asked to give his policy feelings about oversight. We have been through all of this under sworn testimony in his confirmation hearings and we, the elected members of the Committee, if we have any rights in this matter, felt that it would be unnecessary to go over these matters again.

I'd like to have my feelings entered into the record as an elected Member of the Committee under the Constitution of the Senate, that the members of the Committee, I had thought, had some rights in this, and Chairman Stokes of the House Intelligence Committee authorized me to convey a similar feeling about this.

And I don't see any reason why, unless there is a matter that has been testified to since then by the witnesses, that we would want to refer back to his sworn testimony before the Intelligence Committee. To go through all this again I think is an unnecessary imposition on Mr. Gates, so I want to state that for the record and have it entered into the record of the deposition that that's the feeling of this elected member of this Committee.

I think it's also the feeling of Chairman Stokes. It was the feeling expressed by Senator Cohen at that meeting, and I was unaware until two days ago that this was being held. But I don't see any point in going back over this, because I think our Committee has delivered to this Committee the full transcript of the sworn testimony of Mr. Gates on these matters.

MR. BARBADORO: Well, Senator, if there's one thing I didn't need to learn from these hearings, it is that elected and accountable officials make the important decisions.

SENATOR BOREN: I thought that was what we were investigating. I think it's a little ironic that while we're investigating that matter that our own Committee seems to be functioning to the contrary.

MR. BARBADORO: If I have misinterpreted my instructions from the Committee, I apologize. Let me say this, and I will defer to your judgment on it.

I went out to the CIA to meet with Mr. Gates a couple of days ago to discuss with him his testimony in this deposition. It was intended that the deposition would be primarily focusing on policy matters. There were a couple of areas in which the committee has discovered documents since the time of his last testimony that we wanted to ask him about.

And, in addition to that, there are a couple of instances, one of which I am leading into now, where Mr. Gates has additional information that he wanted to add to the record, and it was my intention to question him on these matters to give him an opportunity to respond to new documents that we found, to respond to allegations that were made by Colonel North, and to give him an opportunity to supplement the record where he wanted to.

I understood that Mr. Gates was in agreement with that, but I, of course, defer to the elected members of the Committee.

SENATOR BOREN: I think Mr. Gates is in agreement with that and he has entered no objection to me about it. I just had found out inadvertently that it was scheduled and Chairman Stokes and I discussed this yesterday and Senator Cohen as well. We were not aware of it. We thought we had decided not to do that, and I don't want to in any way intervene, because I don't want to imply that Mr. Gates isn't willing to answer everything, as we have said.

MR. BARBADORO: You're the boss. You tell me what to do.

SENATOR BOREN: He's one of the most candid people we have ever dealt with and that was the expression of opinion of Mr. Hamilton and Senator Cohen and Chairman Stokes and myself, and I'm sure he's willing to do that.

All I would urge is that we take as little time as possible so that we can go straight to the heart of the new matters, because he has testified ad nauseum to all of these matters during the confirmation process and under oath. So I would think that if you can just focus on the things, if there are new documents that have come up, I think that's certainly something -- or information he wishes to add for the record -- I think that's fine.

But I would just urge you not to take the whole afternoon with him.

MR. BARBADORO: Well, you're the boss. In fact, I'll defer to you. You can ask him any questions you want. As I say, I understood that I was acting in accordance with my instructions. I 'm not here to harrass Mr. Gates. I informed your counsel that I was going to do this two days ago. I didn't know that you had an objection to it.

SENATOR BOREN: Which counsel?

MR. BARBADORO: Mr. Holmes.

MR. HOLMES: Actually, I learned of it the same time you learned of it, and we had a discussion of it yesterday in the anteroom.

MR. BARBADORO: I defer to you, Senator. I won't ask any further questions.

SENATOR BOREN: Why don't you go ahead and ask the questions that are anything new since he testified, but, I mean, I don't think we should ask him over again what happened at this meeting and that meeting, because he's testified to all that. I know he testified before our committee to the preparation of the testimony and the rest of it, and if there are new documents why don't you go ahead and ask him?

MR. BARBADORO: Can we go off the record for second?

(A discussion was held off the record.)

SENATOR BOREN: Why don't we go back on the record? I want to make it clear that I'm not expressing any feeling that counsel here who is conducting this questioning is acting in bad faith. I think he is a person who always conducts himself in good faith and there has simply been a misunderstanding. It could as easily have been on our side as on his, and I certainly know Mr. Gates is anxious to answer any questions that are relevant that need to be asked.

My only point would be that I think it should proceed, but I would hope it would not be necessarily drawn out and simply go to new information or new questions that have been raised by testimony of others since the time Mr. Gates appeared before the Intelligence Committee under oath and it would not be necessary to repeat the same matters.

MR. BARBADORO: Thank you, Senator. If for no other reason than I have to catch a plane for New Hampshire at 5:30, believe me I intend to make it as brief as possible. I will confine my questioning only to new areas and to policy matters and will try to make it as brief as possible.

Thank you, Senator.

BY MR. BARBADORO: (Resuming)

Q Let me just return to Exhibit 3, which is a document that I understand you had not seen when you last testified.

A I certainly did not recall it.

Q Having looked at that, is it your understanding that Director Casey gave you written instructions to have his testimony prepared before he left for Central America?

A Yes. This memorandum would seem to me to make it clear that he intended to deliver the testimony all along.

Q And in general terms could you describe what you did to give instructions to people to have testimony prepared?

A Yes. When I talked to Mr. Casey on Monday I told him -- well, I gathered a meeting, held a meeting of people who would be drafting the testimony in my office on Monday, the 17th, and I told them that I felt that we had to have -- that I wanted the testimony prepared along with two things in mind.

First of all, I wanted to put all the facts on the table. In fact, I'm forced to remember that I said at the time that the only way we can avoid a long, drawn-out investigation is to put all the facts on the table at the outset. I also said that I did not want the testimony to be a defense of the policy. I said that I wanted the Director to testify as the Director of CIA and not a Cabinet member and not an advisor to the President.

I wanted to give all the facts of CIA's involvement and if the Director wished to defend the policy then he could do that in the question and answer session following the prepared testimony. But basically I said we have to put together all the facts for the Director and that should be his testimony. And that's what I told him was the strategy that we were following when I called him.

Q Let me turn to November 19. Do you recall a meeting on that date at CIA headquarters concerning the preparation of Mr. Casey's testimony?

A Yes. I believe at General Counsel's suggestion I convened a meeting of the Deputy Director for Operations, I believe Mr. Rizzo was there, Mr. McCullough, the Director of the Executive Staff, the assistant in Mr. George's office who was doing the actual drafting of the testimony, and maybe one or two others -- Dave Greese, the Director of Congressional Relations.

And at that meeting the General Counsel, Mr. Dougherty, said that it appeared that some of the facts involved were getting shakier rather than better as we were going along and was it possible to postpone the testimony. And I told him that I thought that given the momentum that had been generated that I thought it would be impossible to get a postponement, and he indicated that some of the information, particularly on various things, was getting shaky.

And I said that we should simply enter into the record, then, or enter into Casey's testimony a statement that we didn't have all the facts together and that they would be provided as they became available. Now that's what I remember of the meeting.

Mr. Dougherty has additional recollections from that meeting that I don't remember but I will go ahead and put on the record. He recalls that as I was asking questions the people drafting the testimony said well, we don't know what Mr. McMahon and Mr. Juchniewicz' recollections are on this thing, and I directed them to call McMahon and Juchniewicz and find out.

There were several other factual questions that came up of trying to get testimony, and Dougherty's recollection is that in each case I directed them to go get the information or to try and find it. And his view was that the overall message from the meeting to those participating was that it was essential to nail down the facts and get all the facts out on the table, and that where we were uncertain to make sure we were explicit about saying we were uncertain.

Q Was there any specific discussion about diversion, the issue of diversion, at that meeting?

A Not at that meeting, no.

Q Was there a meeting during that week in which there was a discussion about diversion?

A On the afternoon of -- well, I attended two meetings on the 20th, and here is something. They both involved things that I had not recalled at the time of the February hearings that may be worth pointing out.

Contrary to the testimony of at least a couple of people who have appeared publicly, I was a participant in the afternoon meeting in Admiral Poindexter's office. It's a pity to be so faceless.

Our participation in that meeting was because Colonel North had tried to persuade the people at the Agency drafting the Director's testimony to indicate that the Israelis or someone else had called to inquire to set up the proprietary flight in November of 1985 rather than himself. And this issue had been argued back and forth between our people drafting the testimony and Colonel North and could not be resolved.

And so I told the Director that we should go down to Poindexter's office to set this straight because it seemed to me to be a fairly important point. This is one of the several occasions when I thought I was initiating something and in fact, based on Admiral Poindexter's testimony, that meeting had been arranged all along. But I had the impression that it was my idea that we go down.

In any event, we walked into the meeting. The

Attorney General and Mr. Cooper were already there with Admiral Poindexter. Colonel North came in after we got there. And my recollection of what I had testified to was that at that point I told Admiral Poindexter that we had a problem, that our officers recalled and were prepared to testify under oath to the fact that it was Colonel North that had called or had arranged the proprietary flight and that there was a disagreement on that, that that was not Colonel North's recollection.

Well, just putting it out on the floor and perhaps in the presence of the Attorney General, basically the issue went away. It was very quickly --

Q They acquiesced in your position?

A Absolutely. It was only with Mr. Cooper's testimony that I recalled that there had been a discussion also of the events in the fall of 1985. I believe that the reason that I did not remember this earlier was because it concerned a series of events in which I did not participate and was not Deputy Director of Central Intelligence, and so really had no reason, frankly, to pay much attention, because people were saying something that I had no reason to quarrel with.

My recollection of that discussion having been triggered by Mr. Cooper's testimony is that either Colonel North or Admiral Poindexter -- and I do not remember which -- said of the fall of 1985 that the Israelis asked for agreement to sell weapons to the Iranians. The story that was being told there that I recall was that the U.S. Government refused permission but that the Israelis went ahead anyway and the decision was made not to report that under the Arms Export Control Act in order to hold that venue open in the event the United States wanted to use it.

Well, when the investigations began, you know, as things began to come out, I thought I had gotten it confused, that I hadn't heard correctly because that version or that account did not square with what I was later reading in the newspaper, were conflicting version of what had happened that fall. But Mr. Cooper's testimony did trigger that recollection for me.

Q Mr. Cooper testified about some discussion at the meeting and in particular referred to a statement by Colonel North that the testimony should be changed to reflect not only that no one in the CIA knew until January that the plane had carried HAWK missiles in November but that no one in the U.S. Government knew until January.

Do you remember of any discussion of that point at that meeting on the 20th?

A I don't really recall it, but, as we have been able to reconstruct it, I think that what happened on Thursday -- and this is just my view -- ended up being a very large misunderstanding. The first draft of Casey's testimony was prepared by the clandestine service, by the Director of Operations. It was prepared with Colonel North's help, particularly with respect to the events prior to January 1986, because most of the officers involved in helping to prepare the testimony had not been directly involved and therefore had to turn to help. They had no other source of information.

That first draft contained the sentence that Colonel North had suggested, that no one in the U.S. Government knew what was on that airplane.

Q So that we're clear, that is the draft which the CIA has recently determined was prepared on the 19th of November?

A It must have been, yes. That draft was given to Director Casey when he returned from out of town, from being out of the country. The next draft prepared was a draft that carried the time noon or 12:00 on November 20.

According to the people who drafted that testimony, Casey himself -- that noon draft reflected only Casey's changes to the original draft he had been given. He himself had taken out the sentence that no one in the U.S. Government knew.

When we went to the meeting on Admiral Poindexter's office -- now this is again my reconstruction or the reconstruction of all of us involved -- when we went to the meeting in Admiral Poindexter's office we took with us -- there was at the meeting, and I assume we took it with us, a single sheet of paper that was a chronology of CIA's involvement in November 1985 in that flight.

During the course of that meeting, as we have been able to reconstruct it -- again, I really don't recall it myself -- Colonel North tried to reinsert the language that he had put in the first draft early in the week, that no one in the U.S. Government knew about it. Apparently Casey, just writing, went ahead and wrote that down on that single sheet of paper. It is my impression that it is that piece of paper that triggered Mr. Cooper's call to the State Department, when in fact at that point that sentence was no longer in Mr. Casey's testimony, about no one in the U.S. Government knowing.

Now we brought that piece of paper -- or Casey, according to Mr. McCullough, Casey brought that piece of paper back to the office with that written in on it, but nothing ever happened to it. In other words, it was not reinserted into the testimony.

Q And it was never intended to be inserted into the testimony?

A Once Casey had made the change in the first draft, it never reappeared in another draft of the testimony.

Now the other issue that we had difficulty with was what people in CIA had known, and my understanding is that the early draft said that no one in CIA knew what was on the plane. As the week went along, this was one of the sources of Mr. Dougherty's concern because he began learning that perhaps some of the people in the proprietary, perhaps somebody in Western Europe, perhaps the crew of the airplane in fact had known there were weapons on the plane.

So that that sentence, that reference, became increasingly ambiguous with each successive draft, and finally reached the point where, as I recall, it was essentially excised altogether and it finally reappeared in Casey's testimony on the 10th of December, that no one in senior management of CIA knew what was on the airplane.

So that was the dispute. Frankly, I think that it was Mr. Cooper's -- again based on this reconstruction that we have tried to make -- it was Mr. Cooper taking the chronology with the change that North had suggested presumably at that meeting that triggered his concern that Casey was about to give false testimony.

Q Okay.

A That's my understanding.

Q Just so we're clear about this, let me mark as Exhibit 4 that one-page chronology of CIA involvement.

(The document referred to was marked Gates Exhibit Number 4 for identification.)

Is this the one-page insert you've been discussing?

A Yes.

Q Can you identify for me the handwriting that you recognize on that exhibit?

A The handwriting in the second and fifth paragraphs is Casey's. The factual correction in the very last paragraph, crossing out February and substituting November, I believe is my writing. I do not recognize the other writing.

Q So that I understand you, as the Agency has been able to reconstruct this, the last draft of Director Casey's proposed testimony that contained the phrase "no one in the USG" was a draft prepared by the Operations Directorate sometime prior to the 20th of November?

A Yes.

Q And that it was Director Casey who, in reviewing that draft, took out the reference "No one in the USG"?

A That is the reconstruction and believe of Mr. McCullough, who basically superintended the effort.

Q And that when you went to the meeting on the 20th this one-page insert, it was not the intention of you and Director Casey that this one-page insert be included in the Director's testimony?

A No, I don't believe so. And in fact it is worth noting that the draft itself before the handwritten change said we in CIA did not find out that the airline had hauled HAWK missiles. It did not say no one in the USG. That change was made, presumably, in the meeting.

Q The last factual area I have questions about is after the meeting on the 20th at the White House do you recall where you and Director Casey went?

A My recollection is that immediately after the meeting Casey and I split up and I went back to North's office with him because he said that he had a new copy of the chronology or wanted to give me a copy of the chronology. I was in his office perhaps five minutes while he made a copy, and I immediately left. I don't know where Director Casey went. I think I've been told that he went to his Old Executive Office Building office.

Q In any event, you split up and you went back to headquarters?

A Yes.

Q Did you attend a meeting at CIA headquarters to discuss the proposed testimony?

A Yes. We convened a meeting at 4:00 to discuss the testimony, and I think that the kindest word to describe that meeting was "pandamonium". There were probably 15 or 16 people in the room, including everybody who had had anything to do with any of this -- Mr. Clarridge, a variety of lawyers, the Congressional people, people from the clandestine service, Mr. Allen and so on.

And Mr. Casey basically ran the meeting, going through, making changes in the testimony, updating and changing things we weren't sure of. People were passing comments and conversations, and Casey was tearing off pages and it was just mass confusion. During the course of that there were a lot of questions. Now that's basically what I remember of that meeting.

Mr. George and Mr. Dougherty, Deputy Director for Operations and the General Counsel, remember an exchange that I did not recall, and frankly do not recall to this day, but it seems germane and I will mention it. It is worth noting also that everyone at that meeting has been polled with respect to this exchange and no one else at the meeting remembers the exchange except these two gentlemen.

So with that by way of background --

MR. BARBADORO: Off the record for a second.

(A discussion was held off the record.)

THE WITNESS: According to Mr. George and Mr. Doughery there were a number of questions being fired back and forth about did you know this, did you know that, and so on and so forth. And at one point, according to this version -- and I guess harkening back to the memorandum that I had gotten on the first of October from North and that we had given to Poindexter -- I'm sorry, from Allen and that we had given to Poindexter -- I turned to Casey and said do you have any knowledge, according to this account, do you have any knowledge of any kind of diversion, or words to that effect.

And the General Counsel Dougherty then spoke up and said yes, there has been some speculation to that effect. And Casey said words to the effect, no, I don't know anything about that. And that was the end of the exchange. And, as I say, when I was asked in February whether there had been any discussion of the diversion in the preparation of Mr. Casey's testimony I did not remember that.

Q And you still don't?

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A And I still don't remember it. But because two of the 15 or 16 people in the room recall the same thing, it is probably worth putting on the record.

Q So that this is also clarified, if he did say something about the diversion, what would have been the basis of your knowledge about diversion?

A It would have been going back to Mr. Allen's memorandum, because at that point that was the only piece of information that I had received suggesting that there might have been a diversion.

Q That's all I have on facts. I have a number of policy issues I want to raise with you. If we could take a break for about five minutes, it will take maybe 45 minutes and we'll be done.

(A brief recess was taken.)

MR. BARBADORO: Back on the record.

BY MR. BARBADORO: (Resuming)

Q Mr. Gates, one of the things the Committee is really looking for help on is trying to make an assessment of what went wrong here and what changes we can make to be sure that these kinds of things don't happen in the future.

I would begin by asking you a very general question about what you thought went wrong with the Iran initiative and in general what kind of changes you feel

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we need to make to prevent these kinds of things from happening in the future.

A It's a very bureaucratic answer, but it has in some respects perhaps taken the Iran-Contra affair to make bureaucracy look good. The fact is that what basically went wrong here was that every element of regular policy process and procedure was ignored and bypassed -- ignored or bypassed.

[redacted]

If those procedures had been followed, I think there would have been -- perhaps the decision still would have been made to go ahead, but it would have been carried out, the enterprise would have been carried out in a way in which the safeguards that are built into the system would have been applied.

I don't think you would have ended up with private individuals involved. We know how, you know. It's a common problem. When somebody has something you want and you are going to pay for it and you don't trust them, how do you get in your hands something at the same time he gets his in hand, what he wants? And operationally that's an easy problem. We do that all the time.

So there's no need to go out and raise private funds, a private bridge loan on behalf of the United States Government to carry out this kind of affair. And if you just pick out the financial aspect of it, you might still have had a misguided and a wrong policy but you certainly would not have ended up with possible criminal behavior and the kind of mistrust that has been sewn within the government, both in the Executive and in the Legislative, by this undertaking.

So it seems to me -- I read in the paper somewhere the other day that someone was saying it really was not a problem of process or of procedure but, rather, of personalities and the failure to abide by the process. And it seems to me that if there is any remedy to safeguard against what happened happening again, it is to build into the structure some mechanism that prevents the entire structure from being ignored again.

Q Let me ask you some specific questions about that. You mentioned the use of private financiers to obtain the money for this bridge loan. In your opinion, is that a proper way to obtain financing for covert activities?

A Absolutely not. I think the involvement of private individuals secretly raising money for the implementation of American foreign policy is a highly dangerous undertaking. It's an invitation to trouble.

Q I take it, then, your answers would be the same to the question of whether it was a good idea to involve private parties such as Secord and Hakim in the operational aspect of the Iran initiative.

A Sometimes it is necessary in covert operations to involve private individuals, but when that happens it is done with a number of safeguards built into the system, a number of checks to ensure that those individuals understand the ground rules and that they are carefully monitored, and that they follow the rules.

What happened here was the worst of all possible worlds, engaging private individuals without any effective management of what they were doing.

Q Perhaps this is an obvious point, but Colonel North testified that he wasn't able to tell how much money was diverted to the contras, how much profit Secord and Hakim were taking on this transaction, or how much money was being set aside for reserves or how much was needed for operational expenses.

Is this the kind of thing you are referring to as one of the problems that you see in this initiative?

A Sure. As I said, it's just an invitation to trouble.

Q What about using Ghorbanifar? Do you think it was a mistake to use someone like Ghorbanifar in this initiative?

A Well, again Ghorbanifar himself almost certainly, but the fact is that in clandestine or covert operations, particularly if you are dealing with arms dealers or you are trying to penetrate or do operations against terrorist organizations or drug trafficking organizations, you can't get inside those kinds of organizations with Boy Scouts, and so sometimes in this business you have to deal with people of highly dubious character.

But again it's like the use of any private individual. If it's fully within the system, there are safeguards built in. There are clear understandings of what the rules are, and there are very tight reins held on such people, and if they won't play by our rules, then we don't use them.

Q Does the Central Intelligence Agency have the capacity to carry on covert initiatives like the Iran initiative without the use of private parties like Secord and Hakim?

A Well, this is a question that I know that Director Webster would like to answer, and I would just say -- and I'm sure he agrees -- that that is certainly the case. We can and do carry out successful covert actions -- and, I might add, with Congressional oversight -- without difficulty.

Q I'd ask you to be critical of your own Agency for a minute and tell me what you think the CIA did wrong in this initiative and what you think needs to be changed within the Agency as a result of what you see went wrong.

A Well, the biggest mistake that I think was made at CIA -- there are a number of minor tradecraft and other problems, it seems to me, but the biggest mistake that was made was to acquiesce in participation in an operation in which we were half in and half out, in which others were holding all the reins, in which others had a great deal more knowledge about various aspects -- for example, the financial aspects -- than our officers did. And so we were basically at their mercy in the sense of whether there were any improprieties involved because we didn't have full information on what was going on, the officers that were participating from the Agency.

So it seems to me that this acquiescence was a major problem as far as I am concerned. Unfortunately, this case was probably like others in that experience is probably the best teacher, and my guess is that it will be a long time before anybody acquiesces in that kind of thing again.

The dangers to the Agency and to the government are quite clear and, quite frankly, I think that under the circumstances, you know it sounds a little bit preachy, but the fact is that in an operation that had a lot of things wrong with it and some highly questionable activities, the Agency's performance, particularly in the Iranian part, basically was carried out competently and without violating any rules, without anybody straying across the line in terms of the rules for us.

But, frankly, as far as I'm concerned, it was a near thing and we were very lucky.

Q Charlie Allen, for a time, became in effect a case officer for Ghorbanifar. In retrospect do you think it was a mistake to allow a National Intelligence Officer to become as involved in an operation as Charlie Allen did in this initiative?

A We made a management mistake when the [redacted] was created in double-hatting Mr. Allen as the National Intelligence Officer for Counterterrorism and also making him one of the two deputies [redacted] So management itself created an environment in which he could play a dual role -- on the one hand doing estimates and analysis and on the other hand being in a place where legitimately he might be involved in operational activities.

One of the results of that, though, was a classic situation in which both of his immediate supervisors half the time thought he was working for the other guy, so that there was not nearly as tight a management rein by his immediate supervisors on Mr. Allen's activities as would have been the case with somebody else.

And, frankly, based on Mr. Allen's testimony that problem was compounded by the fact that Mr. Casey apparently dealt directly with Mr. Allen and authorized him to participate in some of these activities directly. But it is not necessarily a bad thing for an intelligence analyst to move over to the Directorate of Operations and become involved in operational activities. But we should not allow again a situation to develop in which we have somebody trying to do both of those things at the same time.

It raises dangers to the integrity of the analysis side of the house, and it also, without adequate supervision on the operational side, runs some of the obvious dangers of somebody getting in over his head.

Q I believe it was Mr. Hakim testified that he had to be used as a translator in the Iran arms initiative at some point because there was an absence of CIA officials that were fluent in Farsi.

MR. WOODCOCK: That was the Frankfort meeting, February 25, 1986.

BY MR. BARBADORO: (Resuming)

Q Is there any truth to that statement, that we had to involve a private citizen as a translator because the CIA didn't have the personnel to do the job?

A Well, our halls aren't exactly overflowing with people who speak Farsi, but the fact is if we had an operational activity in which Farsi was required we would have the officers to carry it out.

Q It's my understanding that Mr. Cave was in Frankfort at the same time that that meeting where Mr. Hakim acted as translator occurred [redacted] Do you know whether that's true?

A I don't know.

MR. WOODCOCK: Let me just state for the record, because we recently received information from CIA on this and I've spoken to George Cave on it, George Cave advised me that he believed he was in Frankfort at the time and in any event, had he been given any kind of notice, could have made it to the meeting.

We have recently received a letter from John Rizzo's office, and that was based, I think, on checking with [redacted] that [redacted] was not consulted on the availability of a CIA Farsi speaker and therefore CIA just wasn't asked. There had been representations to the contrary.

THE WITNESS: I also happen to believe that if it were for a high enough priority that we would not have needed to bring back an annuitant either.

BY MR. BARBADORO: (Resuming)

Q Secretary of State Shultz, in his testimony, recommended a separation between intelligence and policy. What's your feeling on that recommendation?

A Well, I think that first of all in principle I cannot disagree with the notion that there has to be a clear separation between intelligence and policy. I will offer my personal opinion, however, that the Secretary allowed his views of Mr. Casey to, in my opinion, influence his overall comments on intelligence as a whole.

The fact is that all of the intelligence published by CIA, finished intelligence assessments and analysis published by CIA or National Intelligence Estimates, are provided to the two Intelligence Committees of the Congress. Most of those materials are also provided to the Armed Services Committees, the Appropriations Committees, and the Foreign Relations Committees.

So there is an ample number of people even outside the Executive Branch to scrutinize intelligence and point out if they think that it has been skewed. There are a number of safeguards that protect against the politicization or skewing of intelligence. I may be wrong, but we take a fair amount of pride in trying to be objective.

Ironically the charge is often made that where the intelligence is most suspect, where intelligence assessments are most suspect, is in areas where the Agency is running covert operations. The reason I say ironically is because those are probably the areas where we work the hardest to keep them separate and to be objective, precisely because we know that there will be tremendous scrutiny of the analysis on those subjects.

That said, it is obviously important to ensure that intelligence assessments do not stray across the line from being descriptive into being prescriptive and recommending policies or pushing policies. And here there is a parallel, it seems to me, with the operational side.

There is a document about Iran and terrorism that has attracted a good deal of criticism in this investigation that in effect Iran had backed away from support of terrorism or something like that. That paper, when it was originally issued and created such a stir, was prepared by two or three individuals outside the system, if you will, and as soon as the rest of the institution learned about that paper it was recalled and redone and reissued.

So that when the institution is involved all the safeguards come into play and it doesn't matter whether it's analysis or operations. It's when people try to bypass the system and do things in an ad hoc kind of way that sometimes you can end up with difficulty.

MR. BARBADORO: Tom Polgar has discussed this general area with me and, if you don't object, I'd like to give him an opportunity to just ask a couple of questions on this point.

MR. POLGAR: I just really have one question. The problem seems to be that after the finished intelligence is completed the Director disregards it and presents something entirely different which indeed is very prescriptive. For example, in December 1985 the Directorate of Intelligence put out a very excellent summary of the situation in Central America -- objective, comprehensive, presumably based on the intelligence available to them.

Nine days later the Director gives a briefing to the National Security Council which is totally different both in tone and in direction to that DDI information. And there, it seems to me, is one of those points where criticism can be raised that the policy or an attempt was being made to influence policy. Are you

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aware of that particular incident?

THE WITNESS: No.

MR. POLGAR: I'll get the papers to you.

THE WITNESS: I think that the Director of Central Intelligence is always entitled to his own opinion. I recall, for example, that the entire analytical element of CIA in the summer of 1962 was convinced that the Soviet Union would not put missiles in Cuba and Director McCone was convinced that they would.

And when he was asked by the President why in the absence of any evidence to that effect, he said because if I were Khruschev that's what's I'd do. He was right and all the analysts were wrong. So don't discount or constrain the opportunity of a Director of Central Intelligence to offer some view.

But, by the same token, I believe that the Director -- and I would add the Deputy Director -- have an obligation when they are offering their own opinion to make clear it is their own opinion and if it disagrees with the general view of the intelligence community or CIA analysts to make that explicit.

BY MR. BARBADORO: (Resuming)

Q Let me ask you about a different area. Are you satisfied with the way the Inspector General system has worked in this case?

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A Well, I know that there's been some concern about the Inspector General's effort and, frankly, I wish that some of the things that they have learned in the late spring they had learned earlier, in January and February.

That said, it is, I think, a fact that it was the Agency's Inspector General that developed the story of what had happened [redacted] and provided that information both to the Iran-Contra Committees as well as the Independent Counsel. So they developed information that, as I understand it, others had not developed in terms of potential wrongdoing down there. So it's hard to fault their investigative skills in that respect.

A larger question is whether the Inspector General, the Office of Inspector General, plays a prominent enough role in the Agency and whether across the board it has the caliber of people that it ought to have. I believe that those are questions that Director Webster will be addressing in the coming months.

Q The last area that I wanted to go over is something that Colonel North raised in his testimony. He admitted in his testimony before our Committees that he lied and misled Congress and certain Executive Branch officials and he offered as a justification for his lying and misleading his concern that the Congress couldn't be trusted, that it would leak, and that those leaks might endanger lives.

In your mind, is there ever a justification for Executive Branch officials to lie or mislead the Congress about covert activities?

A I do not believe anybody from the Executive Branch should ever lie to the Congress. If there is sensitive information that cannot be shared, if there is an undertaking that cannot be revealed, if it's a public session, you know, perhaps. I don't know.

But as a general rule I think that lying to the Congress is just wrong. And I would add there's been a great deal of focus on the way that lying fractured the trust between the Executive Branch and the Legislature. But I would point out that the lying also fractured trust within the Executive Branch and did a great deal of harm. It created tremendous tensions between the Agency and the Department of State. It created tensions within CIA and its people who felt they in the aftermath should have been included and were not, their views sought, and they were not.

People in the Agency have had to contemplate that people that they thought were upstanding and honest people whom they trusted both within the Agency and at the White House lied to them. In some cases one has to contemplate the possibility that people that one trusted a great deal lied.

And I've been in the government for over 20 years and this episode -- and I worked on the National Security Council staff under three different Presidents, and this is the first time that I've known of in my career that I've ever been lied to, just flat out. Every bureaucrat is familiar with evasions and half-truths and so on, but this is the first time that I have ever been flat-out lied to, and it has a significant effect, and it is true in spades in the relationship between the Executive and the Congress.

There are enough areas where those two come into conflict that unless there is some sense of trust then the whole thing is going to collapse because there is no room for compromise or giving the other fellow the benefit of the doubt if there is no trust.

MR. WOODCOCK: Mr. Gates, I have just a couple of questions, if I may.

BY MR. WOODCOCK:

Q When we were off the record you made a reference, I think, to the G. Gordon Liddy rule, which, if I can summarize it and you can tell me if I'm wrong, is a rule that is imposed on the CIA whereby if it receives a request for assistance from the NSC that assistance is not to be rendered without the approval of either the DCI or the DDCI; is that correct?

A It is. Well, first of all, it's an internal Agency regulation, and I think the actual regulation reads "the White House office."

Q And you read that to apply to the NSC?

A I read that to include the NSC.

Q Why is it, then, if you have an understanding of it, that that rule was not either known or observed over the weekend of 11/23/85?

A The rule was passed in the aftermath of Watergate. Can we go off the record a second?

(A discussion was held off the record.)

THE WITNESS: I think that the turnover in the Agency has been so great and people moving up through the ranks rapidly enough I would be willing to wager -- and I have not asked the question, but I would be willing to wager -- that those involved in this enterprise did not even know that rule existed.

BY MR. WOODCOCK: (Resuming)

Q That brings up the next question. What is it in the process that wouldn't familiarize them with this kind of a rule?

A Well, there is, I believe, a regulation that requires that virtually every Agency employee on an annual basis or every 18 months read [redacted] which is the kind of set of by-laws. They extend far beyond this. It involves a number of things. It's basically the set of rules that engage the Agency, and, frankly, I think that has become something that has been done by rote in the sense that people sign off and say that they've read them and perhaps they haven't or they just don't do it.

One of the things that I've taken out of this whole thing, and particularly with reference to this particular episode, is that we are in the process of revising [redacted] It's been several years since it's been updated and when that's done my notion is to give a copy of it to every manager in the building and every training course would provide another copy to make it something that is just kind of right on the desk and something that is continually brought to people's attention.

We're also trying to write it in English so that it's not so difficult to pore through.

Q We wish you luck in that endeavor. The other question that I have also arises out of some discussion that we had off the record, or at least at break time. And it corresponds to testimony that you gave before the Tower Board. Let me just read this portion of the Tower

Board testimony to you.

You are speaking and the context is a question about the November '85 flight and whether a Finding was required, and you are saying that the understanding is that John -- meaning John McMahon -- had attended a meeting with McFarlane in mid-November at which McFarlane had laid out some of the aspects of this transaction with the Iranians. Therefore, when John learned that the flight had taken place on Monday, the 25th, it was based on his knowledge from mid-November that he believed that a Finding was required.

First let me ask you if you agree with that.

A Yeah, that's my general recollection.

Q How what I wanted to ask you is on what was your understanding based that John McMahon had linked these two events, the briefing from McFarlane and the subsequent flight?

A Just in reading the documents as the investigations proceeded and as the Inspector General's chronology and so on, seeing that John had participated in the earlier meeting where the larger aspects of the Iran affair were discussed led me to the supposition. I have not discussed it directly with John, but I made that supposition that that was one of the reasons that he knew that it was something other than Red Cross kits.

Q I see, but he never confirmed that to you one way or the other?

A No.

Q And then the last question I guess is something of a philosophical question, and that is you referred to one of the criticisms that you have of the Agency and its involvement in the Iranian initiative was that it acquiesced in NSC leadership and didn't assert itself enough in overseeing the operation once it was involved.

To what do you attribute that acquiescence? How did it happen?

A Well, I think that foremost responsibility for that would have to be laid at the Director's doorstep. If there would have been any individual who was aware of what was going on and would have asserted both the advisability as well as the bureaucratic responsibility in those sessions, it would have been the Director.

Q Failing that and going down the line, taking, for example, Clair George, head of DO?

A My own view is that while the Director has the responsibility ultimately I guess that I would say that the whole chain of command back in the fall of 1985, when this thing got under way, should have pressed harder for the Agency to be either all the way in or all the way

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out.

Q Do you have a feel for why it is that the whole chain of command failed in that way?

A I really don't. I just don't know.

MR. BARBADORO: Thank you very much, Mr. Gates.

MS. DORNAN: Do we have time for one or two more?

BY MS. DORNAN:

Q I wanted to ask you in retrospect about the quality of U.S. intelligence on Iran and to what extent you felt failures in intelligence helped along this process.

A I think that's a bad rap. I think the intelligence was good. The problem is, the intelligence was ignored. The Directorate of Intelligence turned out a series of first-rate assessments of internal Iranian politics in both 1985 and 1986, and the fact is that some of the people involved in this preferred to believe the intelligence they were being given by a foreign government rather than that of their own intelligence service -- at least that's my opinion.

Q Some of them have testified that the DCI himself said that our intelligence on Iran was not very good, that he didn't feel we had enough sources to be

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sure of our analysis. Your opinion simply differs from that?

A I believe that in terms of the overall assessment of factionalism within the Iranian government that we had a pretty accurate appraisal of what was going on at the time, and that appraisal specifically indicated, for example, that on internal political matters, on internal matters there was indeed a moderate/pragmatic faction. But that applied only to the management of the economy and the degree to which the mullahs ought to be in charge.

And with respect to the war policy that intelligence made very clear that there were no moderates in Iran when it came to the United States.

Q My second question then is it seemed clear to me when I was doing interviews out at the Agency -- and this may not be on depositions, but it was in the interviews -- that people at the lower level in the DO who originally were very skeptical about this, particularly when Ghorbanifar was involved, became believers by July, August, September, and actually felt we were getting someplace with the strategic opening at that point.

They actually did support the Administration's initiative and they felt that one of the worst things that had happened was that when we needed the influence we no longer had it because of this big domestic row we were having. Is that your view of the Agency's analysts views also, or do you think that's incorrect?

A I think just based on my brief conversations with some Agency analysts several months ago my impression is that their view was that the policy was based on a false premise, that there were moderates in the Iran that in the factional struggle were genuinely interested in an opening to the United States.

I think it is their view that this was not the case, that those with whom the United States was dealing were interested primarily in a means of obtaining arms and basically just suckered us.

Q Is there any difference between DO and DI in this regard?

A Well, I haven't talked to the lower level people in the DO, so I don't really know.

Q That was really where I got this analysis.

A I haven't talked to them, so I really can't speak to it.

BY MR. BARBADORO: (Resuming)

Q Let me follow up on one point that was raised about ignoring CIA intelligence. Let me mark this as Exhibit 5.

(The document referred to was marked Gates Exhibit Number 5 for identification.)

This is the January 17, 1986, memorandum to the President from John Poindexter that was used to brief him in preparation for signing the covert action Finding on Iran. There are two points in here I just wanted to get your opinion on. There's a statement in here saying: "The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel."

I want to ask you a question about that first statement. Was it the position of the Central Intelligence Agency in January of '86 that Iran's position in the war with Iraq was deteriorating?

A Not at all. In fact, I think that our view at the time was that that approach was a crock, that in fact in 1986 we were worried about steady Iranian gains and what appeared to be both Iraqi military problems and declining Iraqi morale. That was one of the reasons why we were so opposed to providing the Iranians with intelligence.

In our view, the intelligence was more

dangerous than the weapons because we felt that, you know, there was the back and forth of battle, but overall over the last several years, last three years, say, there has been a slow but steady forward movement by the Iranians that was interrupted for only a brief period, for about three or four months, in the fall of 1986 by a successful Iraqi air campaign.

Q The second statement I wanted to ask you about in the memorandum refers to moderates. It says: "The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and deterring Soviet intervention."

Do I understand you correctly that you believe it is misleading to refer to these elements in Iran as moderate elements?

A Yes, with respect to the United States.

Q Would you agree, then --

A It's not misleading. It's wrong.

Q Would you agree, then, that these two statements, to the extent the President relied on them in signing the covert action Finding on Iran, was relying on information that was incorrect?

A Well, it may well be correct that that was the Israeli view. That was not our view of the situation.

To the degree that a proposal was being put before the President, the views of the Central Intelligence Agency on internal developments in Iran were not reflected.

MR. BARBADORO: Thank you, Mr. Gates.

MR. WOODCOCK: I've just got one final one, I promise.

BY MR. WOODCOCK: (Resuming)

Q There is a PROF note in the Tower report from North where he refers to the last exchange of intelligence that he gave to the Iranians in October of '86. And he describes it as a mixture of factual and bogus intelligence. Are you aware of any faked intelligence being passed over to the Iranians?

A Well, what we tried to do from the beginning, when I was really more directly involved with the passages through May, I guess, and really never saw the later ones, what we tried to do was -- well, after we were overruled and had to prepare the stuff, we tried to generalize it to the point that it would minimize its value to the Iranians, except for the materials on [redacted] and so on, that was pretty accurate information.

My understanding is that a good deal more specific information was requested and made available in

October of 1986. I have not thoroughly investigated it, so this is just an impression. My sense is that the analysts who prepared it thought that while they tried to generalize it that it was accurate, but I have heard the opinion expressed that some of the information may have been altered subsequent to that, to when it left the analysts' hands, and I've never been able really to run that to ground. But I have heard that.

So I don't really know the answer to the question, but that's what I've heard.

Q And what you've heard, does it suggest whether that later alteration, if it occurred, was done within CIA or somewhere else?

A I don't know whether it was done within the Directorate of Operations or at the NSC, but again in an effort, I think, to try and limit the value of the information.

MR. RIZZO: Before we break up, let me just make a request. As you know, Mr. Gates is going away for three weeks. I would request that there be no steps taken to cause a declassification of his deposition.

MR. BARBADORO: We wouldn't release it until we give him an opportunity to review what we are releasing.

Thank you, that's all I have.

(Whereupon, at 4:21 p.m., the taking of the instant deposition ceased.)

____

Signature of the Witness

Subscribed and sworn to before me this ______ day of

____________________, 1987.

____

Notary Public

My Commission Expires: ______________________________

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CERTIFICATE OF REPORTER

I, MICHAL ANN SCHAFER, the officer before whom the foregoing deposition was taken, to hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schafer

Notary Public

in and for the District of Columbia

My Commission Expires: February 28, 1990

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Gates Exhibit #1

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14Oct86

86-4468A 01

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THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

14 October 1986

DCI

Attached is a memorandum on problems that I see with our initiative towards Iran. Also included are a number of recommendations that I believe should be implemented to prevent this initiative from floundering. I have not consulted with other individuals involved on the US side, nor have I discussed it with Ollie. If you require further background, please let me know.

Charles E. Allen
NIO/CT

Partially Declassified/Released on 8 July 87
under provisions of E.O. 12356
by B. Reger, National Security Council

THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

14 October 1986

DDCI

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Charles E. Allen
NIO/CT

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Objectives of the Program:

- **In the short term to resolve the American hostage problem in Lebanon, through the offices of Iran, to include**

    return of all presently held American hostages, and

    cessation of hostage-taking;

  and to accomplish this without jeopardizing our public policy of non-negotiation with terrorists and hostage-takers.

- In the longer term to establish contacts within the Iranian Government that might test the possibility of:

    bringing about a change in the regime in Iran (or its attitudes), thereby

    establishing gradually a rapprochement between the United States and Iran.

- Ultimate, Strategic Objectives remain an alliance which provides:

    containment of the Soviet Union on a crucial flank and preventing their move toward the middle east;

    [redacted] **counterweight to Arab themes in the Middle East;**

    [redacted]

Problems with the Program:

For over a year the US Government -- using private and Israeli intermediaries -- has tried to resolve the hostage crisis by treating with Iranian officials; the long-term goal of eventually restoring a strategic relationship has remained in the background. The principal intermediary has been Ghorbanifar, and the principal official has been [redacted] In return for the shipment of American arms to Iran, the release of two American hostages was achieved.

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Because the Ghorbanifar [redacted] channel, was viewed as slow and unreliable, the White House -- encouraged by Secord and Hakim -- has turned to a new channel. The new channel (C) involves an individual purporting [redacted] direct contact to Rafsanjani, Speaker of the Majlis and second most powerful man in Iran.

- The [redacted] is accepted as genuine -- although his influence with [redacted] Rafsanjani and his delegated authority are less clear. [redacted]

There have been two covert meetings with [redacted], one here and one in Europe. Another meeting is scheduled for the first week in November.

- While the tone of the meetings has been generally positive, the bargaining has been tough and the negotiations difficult; closure remains elusive.

B

A problem that now confronts us is the disposition of the first channel, from Ghorbanifar to [redacted]. This first channel has to be shut down in a way that would limit the damage to the overall initiative. Specifically, Ghorbanifar claims he was never compensated for some of the arms shipped to Iran, arms for which he arranged the financing.

- Ghorbanifar and his creditors, including Adnan Khashoggi, appear determined to recoup their "losses", even at the risk of exposing US covert arms shipments in exchange for release of our hostages.

C

We have a festering sore for which no treatment has been prescribed. [redacted] has demanded that the Ghorbanifar-[redacted] channel be shut down. Indeed, [redacted] claims already to have coopted [redacted]

C B

- [redacted] C [redacted] stated that he, and ostensibly Rafsanjani, had approved of the way [redacted] had proceeded heretofore. Notwithstanding, [redacted] has spoken of "eliminating" [redacted] sometime in the future. → B C

Ghorbanifar appears to be harassed by his creditors, some of whom already have brought the problem to the attention of the DCI and Senators Leahy, Cranston, and Moynihan.

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- Ghorbanifar claims to have secreted, for "insurance purposes", documentation of events which have transpired so far.

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Given this, the major elements of this initiative are likely to be exposed soon unless remedial action is taken. There is no indication that the White House has a plan to prevent the exposure or a plan to deal with the potential exposure.

The Ghorbanifar [redacted] channel must be shut down in a way that contains potential damage to the United States.

Background:

When the initiative began, National Security Advisor MacFarlane wanted to establish a channel to factions within the Iranian Government with which the United States might eventually deal, and which might secure incidentally the release of the American hostages in Lebanon.

Israeli officials like David Kimke put the White House in contact with Ghorbanifar. Working with Jacob Nimrodi and other Israeli entrepreneurs, Ghorbanifar introduced US intermediaries like Michael Ledeen to key Iranian officials influding [redacted] Ghorbanifar also established a direct link to [redacted] Prime Minister's Office. A series of meetings ensued with negotiations sometimes appearing highly positive, sometimes near-disastrous. E

- One hostage was released in September, 1985, as a result of this channel.
- A breakdown ocurred in Geneva, in late November 1985, when the Iranians accused the other side of knowingly delivering the wrong version of Hawk missiles to Tehran -- an accusation we believe and for which we blame Nimrodi, if not Ghobanifar.

Progress appeared dramatic in May 1986 when a US delegation led by MacFarlane secretly visited Tehran. The results, however, were disappointing. The Iranians were not prepared to deal directly with so high level a delegation. Still, another hostage was released subsequently, in late July.

Another channel, potentially more promising, was just then opening up through private efforts by Albert Hakim and Dick Seccord. Through a London representative of the Iranian Government, [redacted] a meeting was held in late August in

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Brussels with [redacted] This, in turn, led to two meetings between the
C [redacted] and US officials, one meeting in Washington, the other in Frankfurt.

Ghorbanifar's Alleged Financial Straits:

The Ghorbanifar-[redacted] channel is technically "on hold." Clearly, however, it is being supplanted by the Hakim-[redacted] channel -- a fact reportedly known by [redacted] and presumably by Ghorbanifar.

The arms transactions in which Ghorbanifar and [redacted] figured required that Ghorbanifar provide the financing. The US required money in advance of any arms delivery while Tehran, previously burned by other would-be arms providers, demanded shipment before payment. Thus, it fell to middle-man Ghorbanifar to arrange the financing.

Ghorbanifar, working with Adnan Khashoggi, got some Canadian investors to lend $15 million to finance the shipment of Hawk spare parts to Iran. Khashoggi put up collateral to cover at least part of this loan. The interest on the $15M, repayable in 30 days, was 20%. Ghorbanifar, then, would have to pay a minimum of $18M. These financial arrangements were made at the end of April -- before MacFarlane's visit to Tehran.

Since the loan was agreed to, Ghorbanifar claims to have been paid only $8M. He agrees that he received $4M at the end of July follwing the release of Father Jenco. He claims, without proof, that only $3M can be applied to repayment of the loan, the other $1M being related to a separate transaction [redacted] with [redacted] Ghorbanifar admits to receiving $5M two or three weeks later, but that no additional funds have been forthcoming.

- He states he has been able to repay about $8M to his creditors, including $6M to one financier -- of which $1M was interest.
- He states, too, that he paid other financiers $2M for interest charged.

Ghorbanifar asserts that he now has a $10-$11 million shortfall that he cannot meet. The creditors are becoming angry and have demanded additional interest because the principal is overdue. Ghorbanifar claims to be under tremendous pressure and feels financially discredited.

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- Ghorbanifar's financial situation is murky, indeed. [redacted] has claimed that he paid Ghorbanifar an additional $8M in cash, an assertion that cannot be validated.

Regardless of who is cheating whom -- and we are not likely to be able to sort out these confused finances -- we face a situation where operational security has been forgotten and no one is prepared to deal with the issue.

I 0192

Rapprochment with Iran:

The broader, strategic objective has become subordinated to the tactical matter of the American hostages in Lebanon. Notwithstanding, we have obtained useful insights into the factious government of Iran.

- [redacted] for example, has focussed on long-term US economic investment in Iran, in addition to arms supply.

We have not yet developed a viable plan of action to utilize this information. Talk about geo-strategic relations is cheap and easy, hard options on how to accomplish this are harder to come by.

The Ghorbanifar-[redacted] Channel:

Ghorbanifar is depressed and claims his financial situation has been damaged. On several occasions, he has said he would not sit idly by and permit himself to be made the "fall guy" in this matter. He claims to have given written accounts of all that has transpired to several persons in America and Europe. He has directed these individuals to make this material available to the press in the event that "something bad" befalls him. We believe this account would include statements to the effect that:

- the Government of the United States sold military materiel to the Government of Iran in order to gain the release of American hostages in Lebanon;
- a high-ranking US delegation met in Tehran with representatives of the Iranian government in order to discuss the future relations between the two countries, with various cooperative ventures discussed;

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- the US Government made several promises to him (Ghorbanifar) that it failed to keep; and,

ok?

- the Government of the United States, along with the Government of Israel, acquired a substantial profit from these transactions, some of which profit was redistributed to other projects of the US and of Israel.

There is also likely to be material alleging poor judgement and shabby conduct by individuals of the US and Israeli governments.

I 0193

Recommendations

We face a disaster of major proportions in our efforts with Iran despite the apparent promise of the Hakim-[redacted] channel. Too many know too much, and exposure, at a minimum, would damage the new channel badly, perhaps fatally.

- Rafsanjani cannot permit himself to be seen as dealing directly with the "Great Satan".

[illegible]

- It is clear from [redacted]s comments that he does not have total control over the Lebanese Shia holding the American hostages.

Because the risk of exposure is growing daily, the following actions are recommended:

(A) Establish a Senior-Level Planning Cell at the White House to focus on the potential for rapprochment with Iran, the appropriate channels to be used, and the separation of the tactical hostage issue from the long-term strategic objective.

> This group could consist of two or three experts and should be headed by someone with the stature of a Henry Kissinger, a Hal Sauders, a Don Rumsfeld, or a Dick Helms.
>
> The group should have access to all data concerning the ongoing initiative(s), including White House records [redacted]

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(B) Develop Press Guidance in the Event of an Exposure. We have no coordinated press guidance on how to deal with the Iranian initiative should it be exposed publicly. Press guidance must be prepared now. At least one, possibly two major US journalists have bits and pieces of the hostage story and know that Ghorbanifar was involved in it.

- The Israelis have exposed some of this.
- Khashoggi and the Canadian financiers are complaining to influential US individuals.

We could soon have an incredible mess on our hands and damage limitation must be addressed now in an orderly, systematic manner.

I 0194

[redacted]

(C) Effect a, Orderly, Damage-limiting Shutdown of the Ghorbanifar/[redacted] Channel. It is unlikely we could totally discredit any revelations by Ghorbanifar; he has too much documentary evidence that implicates US officials.

- [illegible]
- Perhaps we can engage Ghorbanifar otherwise, in non-hostage-related projects -- say, in the area of Iranian, Libyan, and Syrian sponsored terrorism.

[redacted]

A small working group of those knowledgeable of the Ghorbanifar/[redacted] channel should meet to consider how to cope with this problem. Clearly, there are some personal things that can be done for Ghorbanifar, for example:

- Arrange permanent alien residency for his girl friend in California.
- Arrange for visas for his family so they can visit relations in the United States, and so his mother can obtain medical treatment here.

These steps will not alleviate Ghorbanifar's financial problems -- regardless of their merit -- but may dispose him more kindly to the US Government and lessen his inclination to expose the Iranian initiative.

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Gates Exhibit #2

10 Oct 86 86-4068A

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EYES ONLY

10 October 1986

I 0276

MEMORANDUM FOR THE RECORD

SUBJECT: Lunch with Ollie North

1. The DCI and I had lunch with Ollie North on 9 October to receive a debriefing on his meetings in Frankfurt. During the course of the lunch, North confirmed to the DCI and to me that, based on his knowledge of the private funding efforts for the Contras, CIA is completely clean on the question of any contact with those organizing the funding and the operation. He affirmed that a clear separation had been maintained between the private efforts and all CIA assets and individuals, including proprietaries. ~~(TS)~~

2. During the course of the meeting, I urged the DCI to insist on getting a copy of the Iran Finding from John Poindexter. ~~(S)~~

RG

Robert M. Gates
Deputy Director of Central Intelligence

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Declass[illegible] 29 June 1987
[illegible] 12356
[illegible] Council

~~TOP SECRET~~

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Partially Declassified/Released on 11FEB88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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16 November 1986

Gates
Ex. #3
7/31/87 mas

MEMORANDUM FOR: Deputy Director of Central Intellignece

FROM: Director of Central Intelligence

SUBJECT: SSCI and HPSCI Hearings re Iran

1. I have tentatively arranged to leave [redacted] Thursday, returning to Washington at midnight on Thursday.

✓ 2. Charlie Allen is going to do a baseline paper on Iranian terrorism and another on the factions in Iran. CTC

3. I need an analysis of the law on disclosures to the Congress. Leahy was sort of helpful on the Brinkley show today making it clear that there is an alternative. There was talk about three options. I see only two explicit options. The third option arises from the President's constitutional power. I need a review of how this was argued for a long time and finally resolved, and the language which would justify the President's use of constitutional power to act on his own and also give the Congress something to talk about in insisting on notice. OG

4. It is understood that this Finding existed. Someone ought to get Stan Sporkin's recollection of the advice he gave the NSC with respect to the Finding. OGC

5. I will need also up to date information on our judgement of Syrian and Libyan support of terrorism. I will need a good up to date account of the evidence that there were Iranians acting in good faith, ongoing contacts, the availablility of the T-72, all, of course, subject to security concerns. CTC

6. I will need a report on the staff briefings that will have taken place by Friday and the questions that have been asekd.

7. Last, somebody should come down [redacted] with all of this information, brief me and give me time to digest it. Send word as to the time of the hearing as soon as that has been determined. I gather there will probably be a hearing in each house on Friday. Take any opportunity to extend the time but I will plan to be there Friday absence any word to the contrary.

8. Get transcripts of Meet the Press (Poindexter), Dave Brinkley, and Face the Nation (Shultz, I believe) talk shows today and send them to me as soon as practicable.

9. I will need to get up to date on details of what is happening in Teheran and in Lebanon [redacted]

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REVIEWED FOR RELEASE
Date 08 [illegible] 87

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NO DATE

GATES EX. #4

SUBJECT: CIA-Airline Involvement

In late November 1985, a CIA proprietary airline was chartered to carry cargo to Iran at the NSC's request. The cargo was described to us as oil drilling spare parts. Although we did not know it at the time, the cargo was actually 18 Hawk missles. The chronolgy of the incident is as follows:

On 22 November 1985, the NSC contacted the Agency with an urgent request ~~for the name of~~ for a discreet, reliable airline that could transport bulky oil-drilling parts to an unspecified destination in the Middle East.

We offered the name of the CIA's proprietary airline as a company which could handle the NSC request. The NSC passed the name of our airline to ~~their intermediary with the Iranians.~~ the Israelis.

In the interim, we contacted our airline and told them that they would be receiving an urgent, legitimate charter request. The NSC intermediary contacted the airline that evening (22 November) and made arrangements for the airline to pick-up the parts in [redacted]

The destination was changed to Tel Aviv and two ~~of our airline's~~ Boeing 707's operated by the proprietary arrived in Tel Aviv 23 November. The cargo was ultimately loaded onto only one of the aircraft. Loading was completed by 24 November and the aircraft proceeded to Iran via a stop at [redacted] and then overflying [redacted] At the NSC's request, and for the protection of our aircraft, we helped arrange for the overflight clearances.

To the best of our knowledge, neither the Israelis nor the Iranians knew ~~intermediary did not know~~ that they was dealing with a CIA proprietary, nor did airline personnel know what they were carrying. ~~We at CIA did not find~~ None in the USG found out that our airline had hauled Hawk missles into Iran until mid-January when we were told by the Iranians.

The airline was paid by the Israelis the normal commercial rate which amounted to approximately $127,700. I should stress that the airline does a considerable amount of normal business in addition to its support to CIA. It had, in fact, made another unrelated ~~legitimate~~ flight into Tehran carrying commercial items prior to the 22-25 November incident.

Senior CIA management found out about the flight on 25 November. ~~February~~. Although we did not know the nature of the cargo, we thought that any future support of this type to the NSC would require a Finding.

Partially Declassified/Released on 23 June 198
under provisions of E.O. 12356
by B. Reger, National Security Council

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17 JAN 86

Gates Exhibit 5

Regan Exhibit #3
3/3/87

~~TOP SECRET~~

THE WHITE HOUSE
WASHINGTON

N 10046

~~TOP SECRET~~

January 17, 1986

[redacted]

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER JP

SUBJECT: Covert Action Finding Regarding Iran

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney

~~TOP SECRET~~
Declassify on: OADR

RECEIVED [redacted]
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NOV 29 1986

Copy is Receipt

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Partially Declassified/Released on 24 July 1987
under provisions of E.O. 12356
by S. Reger, National Security Council

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N 10047

General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1000 weapons, further transfers would cease.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

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~~TOP SECRET~~

~~TOP SECRET~~ 3 N 10047A [redacted]

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

Recommendation

OK NO

RR per JP ___ That you sign the attached Finding.

Prepared by:
Oliver L. North

Attachment
Tab A - Covert Action Finding

1000 17 Jan 86

President was briefed verbally from this paper. VP, Don Regan and Don Fortier were present.

JP

~~TOP SECRET~~

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HSIC-00318

TRANSCRIPT OF PROCEEDINGS

CONFIDENTIAL

UNITED STATES SENATE

SELECT COMMITTEE ON
SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

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DEPOSITION OF ANNE GLANZ

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Washington, D. C.

Thursday, April 2, 1987

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under provisions of E.O. 12356
by D. Sirko, National Security Council

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UNITED STATES SENATE
SELECT COMMITTEE ON
SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION
DEPOSITION OF ANNE GLANZ

Washington, D.C.
Thursday, April 2, 1987

Deposition of ANNE GLANZ, called for examination pursuant to notice of deposition, at the offices of the Select Committee, Room 901, Hart Senate Office Building, at 4:35 p.m., before GARY S. HOWARD, a Notary Public within and for the District of Columbia, when were present:

THOMAS FRYMAN, Esq.
Associate Counsel
United States House of Representatives Select
Committee to Investigate Covert Arms
Transactions with Iran

KEN BUCK, Esq.
House Select Committee

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JAMES E. KAPLAN, Esq.
United States Senate Select Committee on
Secret Military Assistance to Iran and the
Nicaraguan Opposition
Room 901, Hart Senate Office Building
Washington, D.C.

On behalf of Ms. Glanz:

DUNCAN E. OSBORNE, Esq.
Graves, Dougherty, Hearon & Moody
2300 Interfirst Tower
Austin, Texas 78701

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C-O-N-T-E-N-T-S

WITNESS	EXAMINATION
Anne Glanz	
by Mr. Fryman	4
by Mr. Buck	38

E-X-H-I-B-I-T-S

GLANZ DEPOSITION NUMBER	IDENTIFIED
EXHIBIT 1	5

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P-R-O-C-E-E-D-I-N-G-S

Whereupon,

ANNE GLANZ

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. FRYMAN:

Q Ms. Glanz, would you state your full name for the record, please?

A Anne Sparks Glanz.

Q And where are you employed?

A At Interfirst Bank, Austin, in the Trust Division.

Q And what is your exact title?

A Senior vice president.

Q For the record, Mrs. Glanz, prior to the commencement of this deposition, you were served with a subpoena calling for your appearance before the House Select Committee, and also a second subpoena calling for your appearance from the Senate Select Committee.

Is that correct?

A Correct.

Q And you've also been provided with copies of the

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House rules and the resolution establishing the House Select Committee and the comparable documents for the Senate Committee.

Is that correct?

A I have.

Q Are you represented by counsel here today, Ms. Glanz?

A Yes, I am.

Q And is your counsel Mr. Osborne?

A My counsel is Mr. Osborne.

MR. FRYMAN: I would ask the Reporter to mark this group of documents as Glanz Deposition Exhibit 1 for identification.

THE COURT REPORTER: Glanz 1.

(The documents referred to were marked for identification as Glanz Deposition Exhibit No. 1.)

BY MR. FRYMAN:

Q Ms. Glanz, I show you Glanz Deposition Exhibit 1 for identification. I ask you to look at those documents.

(Pause.)

Now that is the group of documents that you and

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your counsel produced today in response to the House and Senate subpoenas, is it not?

A That's right.

Q Now would you review the attachment to the House subpoena, and I'll represent to you that the attachment to the Senate subpoena is the same in terms of the documents that it calls for.

And would you identify any categories of documents that might be called for in that subpoena which you have not produced, or you have not caused a search of the bank files to be made to locate any documents of that type?

A Well, the only ones that I saw were -- there's nothing new here that I have not searched for.

Q To what are you referring now?

A To the first schedule, this group (indicating).

Q You're referring to paragraphs 1(a) --

A 1(a) --

Q (b) --

A (b), (c), (d). Let me just get the groups to be sure.

(Pause.)

I'm pretty certain that I have not seen these

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names. But I have seen so many organization names of a similar type. Anything that has "defense" in it or that has --

Q Well, just to clarify the record, Mrs. Glanz, what specifically are you referring to?

A Well, I was looking at the Council for Democracy Education. I don't believe I've ever seen anything from that organization. But there are certain councils, National Council for Defense, and others, that I have.

Q Well, just, again, to clarify the record, focusing on paragraph 1(a) of the schedule, have all documents in response to that paragraph been produced?

A Yes.

Q And paragraph 1(b), have all documents in response been produced?

A Yes.

Q The same question with respect to paragraph 1(c).

A Yes.

Q And 1(d), the same question.

A Yes.

Q And continuing paragraph by paragraph with the same question. 1(e)?

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garyhoward

A Yes.

Q And 1(f)?

A Yes. 1(g)?

Q Same question. Have all documents been produced?

A Out of my files? Yes.

Q And by your files, I mean the files of the bank.

A Anything of the bank.

Q Yes.

A Yes, the whole bank was searched.

Q The same question with respect to paragraph 1(g).

A Yes.

Q And 1(h).

A Yes.

Q Now, would you review the remaining paragraphs in Schedule A and would you identify for me any items called for in those remaining paragraphs that you have not caused a search to be made and have not produced responsive documents?

A Are you talking about (i) through the rest?

Q (i) through the rest of the schedule.

A Okay. I didn't cause a search to be made for these, but I can pretty well swear to it that we wouldn't

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have found anything.

Q All right. You're referring to paragraph (i)?

A (i) and (j) and (k), although I did know that she had a connection with Singlaub, but there's nothing in my files relating to that.

Q All right.

A And (l) and (m) and (n). And whose tax records are you talking about?

Q Well, with respect to subparagraph (o), and also subparagraph (p), I believe Mr. Kaplan indicated in advance of the deposition that those provisions of the subpoena are being waived by both committees.

MR. KAPLAN: That's correct.

THE WITNESS: (q) -- okay, I'll go to (q). There's probably something that's missing there.

BY MR. FRYMAN:

Q Well, up until subparagraph --

A Through (n).

Q -- through (n), is it your belief that anything that's called for in the subpoena has been produced in Glanz Deposition Exhibit 1?

A Yes, if it wasn't produced earlier.

Q And by being produced earlier, you mean in response to a subpoena directed to Mrs. Garwood, personally.

A Correct.

Q All right. Now, you were commenting on subparagraph (q), I believe.

A Right. Should we go to (q)?

Q Yes. What is your comment related to (q)?

A Probably there's something in my files that has the name "Andy Messing" on it, related only to the fact that I addressed gifts to him.

Q And anything else in that group of names?

A If Singlaub was there, it was on a form letter. But I don't think it was. I looked to see if I could find anything with his name on it. But I didn't look through all of the board of directors on every letter I've got in my files.

Q Well, apart from General Singlaub.

A There's nothing, right.

Q All right. Any other names other than Messing and Singlaub?

A No, those are the only two.

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Q So apart from those names, it's your belief that any responsive documents in the bank's files have been produced in this exhibit.

Correct?

A Correct. And to 3, the only one is the National Defense Council Foundation.

That's it.

Q Now, Ms. Glanz, would you state again your current position at the bank in Austin?

A I'm group head in charge of tax and operations and recently entered into the administrative world.

Q And how long have you held that position as group head?

A Group head?

Q Yes.

A I just looked that up recently. Probably four years.

Q Can you briefly describe the nature of your responsibilities in that position?

A Well, generally speaking, we have three group head managers. We actually have four now, one being head of group services, which is the operations and tax, one the head of marketing -- she used to be under me, but she split off last year -- and one head of personal trust administration, and one head of employee benefits.

Q Now, did you know a person named Ellen Garwood?

A Yes, I do.

Q Is she a client of the bank's?

A Yes, she is.

Q At what point in time did she become a client of the bank's, if you know?

A The Garwoods have been associated with the bank over many, many, many years. Mrs. Garwood's husband, Judge John Garwood, was on the board of directors and served on the directors trust committee, where I knew him personally until his retirement, which was probably three years ago. But I would say that probably goes back to the '50s. I haven't had a chance to go look at the files yet.

Q Well, have you had any special responsibility for the affairs of the Garwood family?

A I do now.

Q And when did that responsibility commence?

A That responsibility really commenced in late February of 1986.

PRIVACY Pages 13 and 14

DENIED IN

TOTAL

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15

[redacted]

Q In connection with your work for the Garwood family, have you ever heard the name Carl Channell?

A Yes, I have.

Q And have you heard the name, National Endowment for the Preservation of Liberty?

A Yes.

Q What was the first occasion that you recall hearing the name Channell?

A April 14th.

Q And what was the first occasion when you recall hearing the name, National Endowment for the Preservation of Liberty, or NEPL, N-E-P-L?

A April 14th.

Q Would you describe that occasion and what was said to you?

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A That was the day that Mrs. Garwood called me and asked if she could come in early in the morning. I, of course, told her to come right in.

Q I take it this is April 14, 1986. Is that correct?

A Correct. I think I want to go off the record.

(Discussion off the record.)

BY MR. FRYMAN:

Q So the first time you discussed these names with Mrs. Garwood was on April 14, 1986.

A Yes.

Q And the first contact with her on that day was a telephone conversation.

A Simply asking if she could come in.

Q And did she mention either Mr. Channell's name or the NEPL organization in the phone conversation?

A No.

Q And she did come in on the 14th. Is that correct?

A Yes, she did.

Q And how long did she meet with you on that day?

A Probably an hour.

Q All right. And what did she tell you about Mr.

Channell and the NEPL organization?

A She simply said that she had returned from Washington I think the day before, that she had been at a very important meeting. She did not give names at that time. She said that -- she asked if I knew that she supported the Contras, and I had certainly heard that contact of hers, and I said, yes. And she said, well, the meeting had to do with coming to the rescue of the rebels, that since the Congress had cut off funds going to the rebels, that there were a need, a desperate need for their survival. And that she wanted to make a gift of around $2 million. I'm not sure whether she said $2.0 or $2.1. I rather believe it must have been $2.1, because I don't think I would have given more than I was requested.

She said that I could contact Spitz Channell. And she explained that his real name was Carl Russell Channell, known to everyone as Spitz. And that he had an organization that she could make the gift to and it would qualify for a charitable deduction.

And I asked her the name of the organization and she told me the National Endowment for the Preservation of Liberty. And I asked her if she had a letter that showed a proof of their tax-exempt status and I think she did not quite understand what I needed. And I said not to be concerned, that I'd look for it.

I asked her how she wanted to make the gift and she specifically said that Spitz had told her that it would be more beneficial to her to make the gift in securities, and could I go and get her securities and give them to her and she would sign whatever necessary stock powers and we'd just ship them off by Federal Express or Purelator, rather.

So I explained to her that the securities were held in New York and the whole concept of a depository trust company, which I don't think she ever quite gathered. And she asked then, well, is it really more beneficial to make them securities? And I said, yes, probably, and I explained to her the concept of gifts of appreciated property. She definitely had appreciated stock in her portfolio.

Privacy

[redacted]

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Privacy

[redacted]

So I had that pulled up and asked her if she wanted to pick the stock, and she said, no, I think maybe you would be the better judge of that.

Q Did she give you any document during this conversation in your office?

A Yes.

Q What did she give you?

A She showed me a small list of armaments.

Q Would you describe the list? How large a piece of paper was it?

A About like that (indicating).

Q Could you indicate in inches so that the Reporter can record?

A That's about 6 by 4, would you say? And I really cannot promise you that. But it was more of a scratch notepad type than it was of any formal size.

Q And she handed you the piece of paper. Is that correct?

A Yes, she did.

Q And what did she say about it when she gave it to you?

A She said that, this is what they need, Anne.

Q What did she say to you about the source of this piece of paper?

A That I can recall, she did not say anything about the source of it, other than she'd brought it back with her from Washington.

Q And you said there was a list of armaments on this sheet of paper?

A Yes.

Q Do you recall the descriptions of any of the armaments on the list?

A At this point, it's very difficult for me to separate what Mrs. Garwood has told me was on that list and what -- guns and bullets, I remember.

Q Anything else?

A Specifically, no. I did not want to dwell on the list.

Q Do you recall approximately how many items were on the list?

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A Eight to ten.

Q Was there any information on the list other than a name of the type of armament?

A I've been asked many times whether there were dollar signs and figures. I have a vague recall that there was something other than the armaments and it could easily have been dollars and figures.

Q Now, did Mrs. Garwood relate this list to the gift that she proposed to make to Mr. Channell and the NEPL organization?

A No more than to say, this is what they need, Anne. She did not say, my money will buy this. There was the general inferrment, but not the definite statement. I certainly did not seek to get a further statement out of her.

Q Was there a total number on the list?

A I have no memory of that.

Q Did Mrs. Garwood leave the list with you?

A Yes, she did.

Q What did you do with it?

A I called Duncan and he said, come up, and I gave it to him.

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Q Did you discuss it with him?

A Very briefly. I think we made a statement to the effect that I wish we hadn't seen this. I'm not sure which one of us said that.

Q Did you tell him you received it from Mrs. Garwood?

A Yes, I did.

Q Did you tell him that Mrs. Garwood had obtained this list at her meeting in Washington?

A I'm not sure if I told him that. I did tell him that she brought the list to me and made a request for the $2.1 million.

I might add that this was the first time that Mrs. Garwood had come in to me and kind of specifically made it a fact that she had chosen me to be her banker, that I was pretty much fronting everything, trying to keep the bank kind of in proper focus.

But this was the first time that she personally chose me to come to with the attitude that you're going to be the one to do this.

Q Now you brought the list to Mr. Osborne and you discussed it with him.

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Where was the list during your discussion with Mr. Osborne about it?

A On his desk.

Q You handed it to him?

A I handed it to him and I believe -- well, I know he must have put it down because we then turned completely to the issue of what is the National Endowment for the Preservation of Liberty? Do they have a 501(c)(3) letter? Are they tax-exempt? Is the tax-exempt status current?

That was my concern.

Q And did you take any steps during that meeting with regard to those questions that you and Mr. Osborne raised?

A Yes.

Q What did you do?

A I'm hazy on the chronological order of events. I know he spoke with David Glickman, is it, in Dallas.

Q Who is he?

A He's a tax counsel in Dallas, I believe. Was he with the service once?

(Pause.)

Q Well, what do you believe Mr. Glickman's position

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was at that time?

A He was in private practice at the time. I knew of him because I heard him speak at many seminars. But he apparently was a friend of Duncan's. I would assume, then, that Duncan chose him because he would know how best to verify 501(c)(3) status through internal offices and do it in a hurry.

To go back a little, Mrs. Garwood not only asked for the money to be transferred, she seemed to have a great deal of urgency about it, that this had to be in Washington's hands by the next day, in Channell's hands.

Q By the next day, did you say?

A That was her request. Not the whole at once. She said, we can give the major part tomorrow, by tomorrow. But, say, and I don't remember how it came to divide it, but that the balance had to be paid by no later than May 19th or May 20th.

Q And did she indicate the reason for this urgency?

A That the war would be lost. Or the rebels would die.

Q So, in the call to Mr. Glickman, there was a concern about obtaining a fast determination of the status

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of this organization.

A Right. We had looked it up in the cumulative bulletin, which was I think effective through April of the prior year. No, it wouldn't have been that.

Anyway, it was not totally current. And, as you know, that can be changed overnight. We found it and next to it it had that it was advanced ruling that would expire on 12/31/86. And I think when he saw that, he wanted to get a copy and he also wanted to know who called to verify at the service that it was still in effect.

Q Now, were there any other steps taken by you or Mr. Osborne at this meeting other than the call to Mr. Glickman with respect to this issue that you had been discussing?

A No. He said that he would follow up on obtaining a copy of the letter by telecopy, if he could. I had told him I did not want to make, I did not want to transfer any funds without seeing that letter and without being assured that it was currently in effect.

Q How long did this meeting with Mr. Osborne last?

A Probably no more than an hour, if that.

Q And this was in his office, I take it.

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A It was in his office.

Q Was it just the two of you present?

A As far as I can remember, just the two of us.

Q Now, when you came in, you testified that you gave the list to Mr. Osborne.

A Correct.

Q And you testified, I believe, that he put the list on his desk.

A Correct.

Q Now, where was the list when you left his office?

A On his desk.

Q Why did you not take the list with you?

A I didn't want it.

Q Why?

A I didn't want it in my files.

Q Why?

A I was protecting my customer. I also felt that it was not my concern. I was her trust officer, not her attorney.

I might add that what Mrs. Garwood has is a grantor revocable trust. The bank has absolutely no discretion, except in investments, that the legal effect of

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that trust is that she owns the money and she has the right to do with it what she wants to do.

Q Now, have you seen that list since you left Mr. Osborne's office on April 14, 1986?

A No, I haven't.

Q Did you discuss the list in any way with Mr. Osborne on any other occasion during April, 1986?

A No, I didn't.

Q Did you discuss the list any further during April, 1986 with Mrs. Garwood?

A No, I did not.

Q Did she ever ask about the list?

A No, I don't think she did.

Q Was anyone else present in your office when you met with Mrs. Garwood on April 14th?

A No.

Q Did you make any sort of copy of the list?

A No, I did not.

Q Have you caused a search to be made of the bank's files to locate the list?

A Yes, I have.

Q Would you describe the nature of that search?

A I went through every file in the vault. That's where we keep all files, including expanding folders. I went through a drawer in which I keep all pending affairs of the Garwood's. I emptied the drawer and put it back, the files that I had in there.

Q Right.

A I knew that the securities area had been involved in the transfer of the stock, so I asked the supervisor of the securities area to go through her files. I asked the administrative assistant and the one that works for another officer who I was using on the Garwood account. They went through their files.

Q And when --

A Or folders, you know, where they would keep.

Q And when did you cause these steps to be done?

A Within the last week. Now I had looked myself prio to that time when Duncan asked me to, before he came to see you the first time.

Q Now you have had an ongoing professional relationship with Mr. Osborne and you've consulted with him on other matters over a period of years.

A Yes.

Q And there have been occasions, have there not, where you've provided other documents to him in connection with these consultations?

A Yes.

Q Now is there any procedure that has been employed in the past for return of such documents, where they might go to someone in the bank other than you when they would be returned by Mr. Osborne? And I'm thinking specifically of someone such as a secretary or an administrative assistant.

A No, not unless it's a sealed envelope that we deliver between the floors.

Q Well, let me rephrase --

A You know, otherwise, we do ship things back and forth to each other, either by secretary or by runner. But that always happens in sealed envelopes.

Q Who was your secretary during April of 1986?

A I really didn't have one.

Q Who performed secretarial duties for you?

A Probably the tax clerk. She does other, she has other duties, in that she does most of the work.

Do you want her name?

Q Yes.

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A Kim McMohan.

Q How do you spell the last name?

A M-c-M-o-h-a-n, I believe.

Q And is there anyone who assists you in filing materials in the department?

A She would or, actually, you leave them in a tray and they get picked up and sent for filing to the central file room, the file clerk.

Q And any one particular person in the central file room at this point?

A No. The other assistant that's helped me mostly on the Garwood is Charlotte Hambrick.

Q Now, have you discussed this list that we've referred to with Ms. McMohan and Ms. Hambrick?

A Oh, no.

Q So you have not asked either of them if they are aware of the existence of the list?

A No, because I had never told them about it.

Q Did you conduct the search for the list that you described entirely by yourself, or did you have anyone assist you?

A No, I did it really entirely by myself because

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when I asked any of the others to -- I just asked them if they had anything that had NEPL or Carl Channell's name on it. I did ask them for that.

Q Did this list have NEPL or Carl Channell's name on it, as you recall?

A As I recall, no.

Q Now you discussed the list with Mr. Osborne on April 14, 1986, and with Mrs. Garwood on that same day.

Correct?

A I really didn't discuss it with them. I saw the list. I might say I really did not want to study it. I did not want to be a part of it.

Q Well, you testified that Mrs. Garwood showed you the list --

A Right, right.

Q -- and she said, this is what they need.

A Right.

Q And you handed it --

A It's the kind of thing you look at and think, well, I really don't want to look at that list.

Q And you gave it to Mr. Garwood and at least you told him that --

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A Mr. Osborne.

Q You have it to Mr. Osborne and at least you told him that you had received this from Mrs. Garwood.

A That is for sure. I do not deny that I got the list, that it was there, that it existed. But as to any --

Q Now those communications, whatever they were, occurred on April 14, 1986.

A Correct.

Q When was the next occasion that you discussed or commented in any way on the list, or anyone made a comment to you about the list?

A I believe Duncan said something to me, whenever it was that Mrs. Garwood went to him and told him that she needed his help, that she felt that she probably needed to reveal some information that she had kept from everyone.

Q And approximately when was that? Was it in 1987?

A No. I think there might have been a quick reference in November or December.

Q Of 1986?

A Yes. When did the scandal break? And I guess that would be the Iran-Contra diversion.

Q Well --

A Whenever that was, it was probably the time. My time schedule, it relates to that. But at that point, when I first heard the name of Ollie North.

Q Well, is it correct that you believe that that occurred in November or December of 1986?

A Right.

Q And how did the subject of the list arise at that time?

A Duncan made an aside to me that I think Ollie North was involved in that, Anne.

Q And by that, you understood him to mean what?

A The list. That was prefaced with, remember the list? And then no more was said.

Q Was there any discussion of the location of the list at that time?

A Not that I remember.

Q Where was this comment made? Was it in your office or in Mr. Osborne's office?

A It was more likely to have been in Mr. Osborne's office.

Q Was there any further discussion of the list at that time?

A No.

Q When was the next occasion that the list was mentioned?

A I think at the time that she was first called to Washington.

Q And was that in 1987?

A That was in 1987.

Q And do you recall the month?

A February, I believe.

Q And what was the comment or discussion at that time?

A That they really want that list.

Q And who is they?

A That was the independent counsel.

Q And were you asked to do anything with respect to the list?

A No. I said, I don't have it.

Q What did you tell Mr. Osborne about your knowledge of the location of the list?

A I don't think he asked me anything further at that time. Then later, when he said, it's in the subpoena, that we have to look for that list. I told him I would look

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through my files, but I felt certain that my whole intent had been to give it to him and to get it out of my hands.

Q Well, did you tell him that your recollection was that you last saw it on his desk?

A Probably not. I simply knew that I had handed it to him and that I had no intention of taking it back.

Q Have you discussed the list since November, 1986 with Mrs. Garwood?

A No, I haven't because, again, I want to see if she said anything to me about it.

(Pause.)

Okay, I'll change that. The first telephone call that I had with the independent counsel, he asked me, or one of the associates for him, obviously, he asked me what I remembered was on the list. Later on, when I was talking to Mrs. Garwood on the phone, I told her that they'd asked me what was on the list. And she asked me, what did you say was on the list? And I said, guns and bullets and I think missiles. And she said, oh, no, Anne. There were no missiles on that list. And I think she thought, there she goes. She's all confused between Star Wars.

I have all the time keeping up with all of her

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various interests.

Q Did she make any comment about the possible location of the list at that time?

A No, she didn't, except -- here, again, I'm not sure whether she told Duncan or she told me or Duncan told me, but there is the fact that she did tell someone that she went home that day and tried to reconstruct that list. I am aware of that. And I think she has a much clearer memory of what's on that list than either of us do. Certainly than I do.

Q Going back to the meeting in Mr. Osborne's office on April 14, where you handed him the list and, according to your recollection, you left the list with him, I believe you testified that it was your view that you did not want that list in the bank's file.

A Correct.

Q Or in your customer's file.

A Right.

Q What was the reason for that?

A I just particularly didn't want to think that I was involved in any arms purchasing or running or whatever the terminology is.

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Q Did you believe it had tax consequences?

A I'm not sure if it was that. I didn't think it was any of my business. If I could verify that that organization that I was making a transfer to had tax-exempt status, that she had mentioned to me many a time that she was helping her President. I didn't know who I was to question that. I didn't feel, though, that -- I wasn't really sure that there was a correlation between that list and the gift we were making.

Q When you say you were not really sure, but I believe you have testified that in the conversation where Mrs. Garwood proposed a transfer of more than $2 million to this organization, it was in connection with her handing you this list and explaining that this is what they need, was it not?

A That is what she said at that time.

Q All right.

A As time has gone on, I myself have asked Carl Channell if her money has gone for humanitarian reasons. And he always assured me it was.

Q And are those assurances from Mr. Channell the basis for your possible uncertainty as to the ultimate use

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of the gift?

A Yes, that and to the method in which he started to inflict a stronger and stronger pitch for more and more money.

Q This was at a subsequent time?

A This was at a subsequent time. Everything I say now is going back, I'm not sure how much is colored by what I've determined since then.

Q Ms. Glanz, I have no further questions. My colleagues, Mr. Kaplan or Mr. Buck, may have some questions at this time.

MR. KAPLAN: I have no further questions.

MR. BUCK: I have one or two quick questions.

EXAMINATION

BY MR. BUCK:

Q Did you ever see a list after April 14th? Mrs. Garwood may have made more contributions. Did another list ever show up at any time?

A No.

Q Did Mrs. Garwood ever indicate at any time that any future donations would be for anything other than humanitarian reasons?

A No.

MR. BUCK: I have no further questions.

MR. FRYMAN: Ms. Glanz, thank you very much.

MR. KAPLAN: Thank you. You've been very patient.

MR. FRYMAN: Off the record.

(Signature not waived.)

(Whereupon, at 5:34 p.m., the taking of the deposition was concluded.)

Anne Glanz

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CERTIFICATE OF NOTARY PUBLIC & REPORTER

I, Gary S. Howard, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

Gary S Howard
Notary Public in and for the
District of Columbia

My Commission Expires November 14, 1990.